Market for Corporate Control in China: Engine for Growth or Value Destruction?*

Franklin Allen
Imperial College London
(f.allen@imperial.ac.uk)

Jun 'QJ' Qian
FISF, Fudan University
(qianj@fudan.edu.cn)

Chenyu Shan
School of Finance, SHUFE
(shan.chenyu@mail.sufe.edu.cn)

Xiaohui Shi
School of Finance, SHUFE
(shi.xiaohui@163.sufe.edu.cn)

Julie Lei Zhu
FISF, Fudan University
(leizhu@fudan.edu.cn)

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Abstract

We study mergers and acquisitions (M&As) involving Chinese listed firms over 2000-2022. Firms in the domestic (A-share) market have higher stock returns and better operating performance after they acquire a target, usually an *unlisted* firm, than Hong Kong listed Chinese acquirers. Since stock issuance must be approved by the regulators and participating investors have a longer lockup period than that in the developed markets, we hypothesize that acquisitions financed by the acquirer's stock have better prospects than non-stock deals. Accordingly, stock-financed acquisitions, especially those launched by firms from growth industries with high debt financing costs, are associated with better stock and accounting performance than non-stock deals. When an A-share listed firm becomes the target of a *partial* acquisition, its stock and accounting performance improves following the transaction, and the improvement in performance is greater if a larger block is acquired.

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1. Introduction

Since its establishment in 1990, China's stock market has grown rapidly: by the end of 2023, the domestic, "A-share" market lists more than 5,000 firms and ranks second globally by total market capitalization, trailing only the U.S. Mergers and acquisition (M&A) activities accelerated after China's entrance into WTO in 2001, and peaked in 2016, with approximately 7,860 announced deals totaling more than $740 billion across the A share market and the Hong Kong Exchange (HKEX), where many Chinese firms are listed (Figure 1).[1] Since then, the "Greater China Region" became the second largest M&A market globally, as measured in deal volume, after the North American region. Despite its large scale, academic research on the determinants and value implications of M&As in China remains limited.

Prior research (e.g., Allen, Qian, Shan, and Zhu, 2024) shows that the strength of *internal* governance is a key factor that affects firms' performance in both the cross-country sample that includes China, as well as that of the A share market. As an important *external* governance mechanism, M&As can improve the governance structure of the target firm through the transfer of control; the acquirer, by gaining control, can initiate a series of changes with the goal of enhancing operational efficiency and realizing its growth potential. However, M&As can destroy value if the integration process fails, agency conflicts worsen, or the acquisition overstretches the firm's resources (e.g., Moeller, Schlingemann, and Stulz, 2005).

In this paper, we examine whether M&A activities in the Chinese markets create or destroy value by analyzing short-term market reaction and long-term stock and operating performance. We study two types of M&As involving A share listed firms. When a listed firm launches an acquisition (for 100% of target assets), the target is typically an *unlisted* firm. In terms of the method of payment, 68% of the deals (in deal amount) are financed by privately issued acquirer stocks. We also examine *partial* acquisitions in which the target is a listed firm ("*jupai*")—public disclosure is triggered if the minority stake acquired exceeds 5%. Since listed firms rarely become the target in 100% acquisitions, and with proxy contests (legally) infeasible and virtually no delisting of listed firms (before 2020), these partial acquisitions are essentially the only type of external 'threat' a listed firm would face.

[1] For more information, see https://imaa-institute.org/mergers-and-acquisitions-statistics/china-ma-statistics/. Following the tightening of M&A regulations in 2017, deal-making activities slowed down and focused more on 'tech sectors' including technology, healthcare, and renewable energy. In 2023, global M&A volume is around $2 trillion, with the U.S. and Canada accounting for around $900 billion (https://www.spglobal.com/market-intelligence/en/news-insights/research/global-ma-by-the-numbers-q4-2023?utm_source=chatgpt.com) and China accounting for $268 billion.

To assess the post-acquisition performance of A-share firms, we compare them with listed firms in HKEX, and in particular, firms that have their main operation in mainland China and their shares listed in the Hong Kong market (i.e., HK-listed Chinese firms). These firms are comparable to A-share listed firms as they are exposed to similar regulatory and macroeconomic environment and industrial policies. In our first set of empirical tests, we find that the A-share market exhibits more positive reaction to corporate acquisition announcements. A-share listed acquirers also demonstrate superior long-term operating and stock performance compared with their Hong Kong-listed counterparts. These findings remain robust when we control for the acquirer's and deal characteristics.

We further examine the extent of value creation in the A-share market by comparing deal performance across groups with different methods of payment. Stock-financed acquisitions in China are executed almost exclusively through *private* placements of newly issued (acquirer) shares. For deals financed only by stock, the acquirer earns an average 1.9% higher abnormal returns (CARs) following the announcement date, than deals financed by cash. The outperformance rises to 19.7% for the three-year, post-acquisition window. Stock-financed acquirers also outperform other types of acquisitions in terms of operating performance in one- to three-year windows following the acquisition announcement.

These findings stand in sharp contrast with the evidence documented in the U.S., where stock-financed acquisitions are driven by *overvaluation* of acquirer stocks prior to deal announcement (e.g., Shleifer and Vishny, 2003). In China, stock-based acquisitions via private placements (of acquirer stocks) are subject to a lengthy approval process (by the China Securities Regulatory Commission, CSRC). M&A deals in China undergo multiple rounds of reviews; private placement of stock must also be approved by the CSRC before issuance; they are subject to the mandated lock-up periods, which are usually 12 to 36 months, during which the controlling shareholders (and participating investors) of the acquirer are not allowed to sell their shares. For deals that exceed the 50% threshold are classified as 'material asset restructuring,' they are subject to even stricter regulatory oversight.[2]

As a result, although newly issued shares (via private placement) may dilute current shareholders, the benefits from regulatory screening and incentive alignment between investors and management can outweigh the cost of a long lockup period and equity dilution, leading to

[2] The 50% rule refers to one the following three scenarios: i) the total assets of the target assets account for more than 50% of the total audited assets of the listed company in the most recent year; ii) the operating income of the target assets in the most recent year accounts for more than 50% of the operating income of the listed company in the same period; iii) the net assets of the target account for more than 50% of the net audited assets of the listed acquirer in the most recent year, and exceed 50 million yuan.

superior post-acquisition performance. The positive short- and long-term market reaction to deal announcement suggests that investors in the A share market perceive acquisitions financed by the private issuance of acquirer stock as a positive signal of growth prospect and value creation. For small- and medium-sized firms from growth industries (as measured by high industry M/B ratios) facing high debt financing cost, acquiring an unlisted firm using its own stock is arguably the preferred channel of financing and realizing its growth potential. Accordingly, the improvement in the post-acquisition performance of this group of acquirers is significantly greater than those of the non-stock deals.

The strength of internal governance, along with changes in corporate structures following deal completion, plays a critical role in value creation via M&As. For instance, for acquirers whose ownership structure becomes more concentrated, management holding of stock increases, or when the amount of value-destroying related-party transactions (RPTs) decreases, the improvement in their post-acquisition performance is more pronounced. By contrast, acquisitions made by SOEs (state-owned enterprises) or financed by cash for a 'related party' (e.g., one of the controlling shareholder's subsidiaries) experience worse performance than other types of M&As. The presence of agency conflicts (Jensen, 1986), in the form of 'tunneling' by the acquiring firm's controlling shareholder, is more likely to erode shareholder value in these transactions.

Firms' acquisition decision is not made randomly. Those that decide to acquire another firm may be different from non-acquirers in a number of dimensions. We follow Savor and Lu (2009) and compile a set of firms that have initiated an M&A deal but failed to complete for external reasons.[3] Including the "failed" sample can minimize the unobserved differences between acquirers and non-acquirers, as the latter group also has the intention and prepared for a deal. We find that acquirers in completed deals have achieved better stock and operating performance during the post-acquisition period than the acquirers that fail to complete a deal. This result confirms that completing the M&A deal leads to superior acquirer performance.

To further mitigate the concern that firms with certain characteristics tend to engage in stock-financed acquisitions, we identify a set of stock-based deals that are ultimately withdrawn due to 'systemic' adverse shocks to the stock market (market crash during the second half of 2015; outbreak of COVID-19). Once again, we find that acquirers in completed stock-financed deals have better performance during the post-acquisition period than those in

[3] In the A-share market, such reasons for deal termination include disagreements between parties over valuation or transaction terms, regulatory disapproval, and unexpected shifts in market or policy conditions.

withdrawn deals, thus confirming that completing stock-financed deals leads to superior acquirer performance. Moreover, we utilize the implementation of the new Refinancing Rules in 2020 as an exogenous shock to the cost of firms' (private) stock issuance. The new rules lower the threshold and cost for firms to issue equity by increasing the number of participating institutional investors and completely removing profit requirements for growth firms. We find that the performance gap between acquirers completing stock-financed M&As and matched non-acquirers widens after 2020, supporting the hypothesis that lower costs of (private) stock issuance lead to better performance during the post-acquisition period.

In our second set of tests, we study partial acquisition deals in which a listed firm is the target. In China, 100% takeover of a listed target is rare, whereas it is more common that investors acquire minority stakes in the secondary market (without consent from the large shareholders). A listed firm is obliged to publicly disclose when 5% or more of its shares are acquired by external investors. These transactions do not necessarily transfer control, but they can reshape governance by shifting voting power, changing board representation, or both.

We compare the post-acquisition performance of A-share listed targets with their counterparts listed in the Hong Kong market. A-share targets achieve significantly higher buy-and-hold abnormal returns (BHRs) and operating performance over one- to three-year windows following deal announcement. The outperformance of A share targets increases in the proportion of shares acquired by external investors. It is more pronounced for deals in which institutional ownership increases, the ownership structure becomes more concentrated, or the largest shareholder is replaced following the acquisition. In contrast, measures that indicate deterioration in corporate governance, such as more cash outflow in RPTs and increased earnings management in the form of accruals, are associated with worse operating performance. These results demonstrate that partial acquisitions serve as an effective external governance mechanism, which can create value for the (listed) target by shifting its voting power and improving monitoring of the controlling shareholder and management.

Our paper contributes to the literature on the methods of payment in M&As. Most empirical evidence supporting the overvaluation theory of stock acquisitions comes from the U.S. (Rhodes-Kropf and Viswanathan, 2004; Eckbo et al., 2018). We show that the strict approval process of stock-based acquisitions renders it difficult (if not entirely impossible) to 'time' the issuance of acquirer stocks, and the mandated lock-up associated with private placements can be regarded as an incentive-alignement mechanism between shareholders and the M&A deal. These institutional arrangements unique to the A share market, along with the fact that listed firms from growth industries face high debt financing costs, help explain the

outperformance of stock-based acquisitions of A-share listed acquirers, especially those from growth industries. Evidence from both the A share and U.S. markets reveals that acquiring firms demonstrate superior post-acquisition performance when the target is an unlisted firm, potentially due to the use of stock as a method of payment mitigating information asymmetry (Hansen, 1987) and allowing risk-sharing with targets' owners (Officer et al., 2009).

We also contribute to the literature on partial (block) acquisitions as an external governance mechanism. Earlier studies find that the market for partial corporate control is important in mitigating agency costs for U.S. corporations. Institutional investors exert active governance and monitoring of the target firms, leading to positive stock returns (e.g., Bethel, Liebeskind, and Opler, 1998; Klein and Zur, 2009). More recent literature suggests that blockholders may worsen governance by extracting private benefits of control or pursuing objectives other than firm value maximization; the extent of such expropriation depends on institutional details (e.g., Edmans, 2014; Edmans and Holderness, 2017). Again, most of the evidence is from the U.S. We find that in China's domestic market, partial acquisitions serve as the only external governance device for listed companies, where proxy fights, and in particular, the solicitation of votes from retail investors, are not allowed. These institutional features help explain the fact that the A share market reacts more positively to the announcement of block acquisitions than that in the Hong Kong market, where other forms of mechanisms, including proxy fights, are available.

Finally, our work extends the knowledge on the Chinese stock market and listed firms. Allen et al. (2024) document that large cap A share firms have low investment efficiency and poor accounting and stock performance, while small cap A share firms have performed much better over the past two decades. Prior literature has also shown that in debt financing (bank loans and bonds), SOEs have a clear advantage over non-SOEs (e.g., Qian, Strahan, and Yang, 2015; Geng and Pan, 2024). We show that small listed firms, especially those from growth industries, take advantage of acquiring unlisted firms and using M&As as an engine for growth. On the other hand, large cap firms with concentrated ownership do not face the threat of becoming the target in partial acquisition; hence, lack of external governance discipline is one reason that poor performance of these firms persists.

The remainder of the paper is structured as follows. Section 2 reviews the institutional background and describes our hypotheses. Section 3 discusses the data sources and provides summary statistics. Section 4 presents the post-acquisition performance of acquiring firms in A share and HKSE. Section 5 presents the performance of target firms after the partial acquisition. Section 6 concludes.

2. Institutional Background and Hypothesis Development

2.1. Institutional Background

China's M&A market has evolved from a phase of initial exploration to rapid growth in the past three decades. Commencing in the early 1990s, as China's economic system reform deepened—particularly with the push to marketize state-owned enterprises—and efforts to establish a market-oriented economy, corporate M&A activities gradually expanded. Entering the 21st century, especially after China joining the WTO, Chinese companies accelerated their internationalization process. The need for domestic industrial restructuring further promoted the prosperity of the M&A market. In recent years, driven by national policies such as the 'Belt and Road' initiative and capital market reforms such as the establishment of the 'STAR Board', the scale of China's M&A market has continued to expand, with the forms of M&A becoming more diverse.

Mergers and acquisitions (M&A) are pivotal strategies for corporate growth and restructuring, with cash and stocks as primary methods of payment. In the past two decades, around half of the firms listed in the A-share market have conducted at least one M&A deal. The total value of M&A deals conducted by A-share listed acquirers from 2002 to 2022 amounts to 4.4 trillion RMB. In China, a substantial fraction of M&A deals are financed by stocks, which are issued via private placement. As shown by Figure 2, the value of stock-financed deals from 2002 to 2022 is totaled at 2.9 trillion RMB, accounting for 67.6% of all M&A deals conducted by A-share listed firms.

Private placements of stock issuances in China involve several stages: document preparation, shareholder meeting review, regulatory review, and stock issuance. Specifically, firms planning a private placement must first convene a board meeting, followed by a shareholder meeting for approval. At each stage, the firm is required to publicly disclose the private placement plan, including the purpose of the new share issuance, pricing, and investor qualification. Having obtained approval from both the board and the shareholders, the firm can submit relevant documents to the China Securities Regulatory Commission (CSRC) for approval. The CSRC not only reviews the legality, compliance, and information disclosure in the proposal, but also assesses the target quality and the possibility of synergy creation. When the asset value of the target being acquired exceeded 50% of the acquiring firm's asset value, the deal would be considered as major asset restructuring, which is subject to even stricter regulatory review.

New shares issued via private placement are principally allocated to the existing

shareholders of the target firm, thereby transforming the latter into new shareholders of the acquiring firm. A portion of the newly issued shares may also be subscribed by strategic investors, enabling the acquiring firm to obtain cash financing through this channel. Notably, if investors other than the target's existing shareholders hold the newly issued shares (i.e., via cash subscription), the transaction qualifies as a mixed-payment acquisition—characterized by a combination of share payment and cash financing. The Measures for the Administration of Securities Issuance by Listed Companies issued by the CSRC require that stocks acquired in private placements are subject to lock-up periods from 12 to 36 months. For instance, the controlling shareholders are prohibited from selling the shares within 36 months from the end of the issuance, while other ordinary investors cannot transfer these shares within 12 months.[4] Together with the strict regulator review process of the M&A deals, the selling restrictions can help align the interest between the new and existing shareholders post-acquisition. The lock-up period can reduce the odds that some insiders take advantage of the private placement opportunities to get private benefit, protecting minority shareholders and facilitating synergy creation.

Private placements of stock issuances in the U.S., in contrast, are governed by a flexible regulatory framework under the oversight of the Securities and Exchange Commission (SEC). The Securities Act of 1933 and Regulation D allow issuers to bypass registration requirements by filing Form D with the SEC. There is no capital limit or rigid pricing constraint for firms to offer new shares privately. Regarding the lock-up period, selling of restricted security is prohibited for a period ranging from 6 months to one year.[5] Over the past three decades, the background of stock-financed acquisitions has undergone significant changes. All-stock acquisition deals are prevalent during the 1990s but decline sharply from over 50% to 16% after 2000, while cash payments became more common. This shift has been attributed to factors such as the changes in accounting rules (De Bodt et al., 2018), and external pressures from cash-only sellers and private bidders (Eckbo et al., 2018). Overall, the flexible issuance requirement substantially reduces the time and expenses needed for acquirers to raise capital through private placement. However, it may also encourage speculative behavior by acquirers,

[4] The lockup period requirement is specified in the Article 45 of Chapter V in the Decision on Amending the Provisions on Major Asset Restructuring and Supporting Financing of Listed Companies, available at http://www.csrc.gov.cn/csrc/c101874/c1029519/content.shtml

[5] "One rule investors commonly rely on to resell restricted securities requires you to hold the restricted securities for at least a year if the company does not file periodic reports (such as annual and quarterly reports) with the SEC and six months if the company does file periodic reports with the SEC. Most private companies that issue private placements do not file these periodic reports." https://www.securitieslawyer101.com/2022/rule-506b-and-rule-506c-private-placements-under-regulation-d/

which could hinder post-acquisition synergy creation.

Public listed firms in the A share are rarely acquired in a 100% takeover, while they are often partially acquired by institutional investors. The popularity and development of partial acquisition in China is a gradual process, closely related to the development of China's capital market, the improvement of laws and regulations, and changes in corporate governance structure. The revision and improvement of laws and regulations such as the Company Law and the Securities Law in 2005 clarified the rights of shareholders and the operation mechanism of the general meeting of shareholders, providing a legal basis for partial acquisition. Since 2010, with the continuous growth of China's economy and the further maturity of the capital market, partial acquisition has become popular in the A share market. The Chinese government has introduced a series of policy measures, such as the "Opinions on Further Optimizing the Market Environment for Enterprise Mergers and Acquisitions", to support mergers and acquisitions, with the aim to encourage enterprises to integrate resources and upgrade industrial technologies through mergers and acquisitions. The purposes of partial acquisition have become more diversified, including market expansion and financial investment. For example, Alibaba has invested in many internet and technology companies by holding their shares through partial acquisition. One prominent example of partial acquisition is the Baoneng-Vanke Dispute". Vanke is a well-known leading real estate developer in China This dispute started in July 2015 when one of the its large shareholder, Baoneng Group, started to buy Vanke's share progressively in the secondary market, aiming to get Vanke's control rights. This dispute lasted for four years from until 2019, involving many well-known investors competing for the control right of Vanke. Eventually, Shenzhen Metro obtained 30% of Vanke's share and became the largest shareholder of Vanke.[6] In recent years, the number and amount of partial acquisition transactions in China have increased, especially in high-tech, medical and health, and consumer retail sectors. A total of 1,943 A-share firms are involved in partial acquisition in the past two decades.

Although proxy contest is a common way to transfer corporate control rights and influence corporate decision in the U.S., it is not as common in China. The shareholding structure in China is more concentrated, making it hard for minority shareholders to obtain proxy voting

[6] Baoneng Group, which was Vanke's largest shareholder before 2015, through its subsidiary Qianhai Life Insurance Co., Ltd., began to purchase large amounts of Vanke A-shares in the secondary market in 2015. By early August, Baoneng's shareholding reached 5%, triggering the first public disclosure. In June 2017, Vanke held a shareholder meeting, electing a new board of directors. Mr. Shi Wang stepped down as chairman, and Mr. Yu Liang took over. Baoneng did not secure any seats on the board. See more details of the dispute in https://www.caixinglobal.com/2018-04-09/failed-hostile-takeover-for-vanke-leaves-baoneng-in-a-fix-101232145.html.

rights. Except for the 'STAR' Board, 'one-share-one vote' continues to be the prevailing practice in the A-share market. Chinese listed companies usually set the super-majority term, which requires more than 2/3 votes for major corporate events. Article 106 of China's Company Law permits shareholders to entrust third parties with the exercise of their voting rights, yet it does not stipulate the procedures for soliciting voting rights, information disclosure requirements, or legal liabilities.[7] Overall, China's regulatory provisions governing proxy fights are paradoxically stringent yet ambiguous, and ultimately impracticable. In contrast, the information disclosure obligations regarding partial acquisition are clearly defined, and the penalties imposed by regulatory authorities on non-compliant behaviors—such as fines and market entry bans—carry deterrent force, making partial acquisition popular in China and a substitute for conventional proxy fight.

2.2. Literature and Hypothesis Development

The prevailing theory regarding stock-based acquisition is the market overvaluation, i.e., overvaluation of acquirers' stocks drives stock-financed acquisitions (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004). Firms may time their acquisitions based on market conditions, taking advantage of high valuations to acquire other firms that are perceived to be undervalued. Overvalued acquirers tend to make acquisitions with stock (Rhodes-Kropf et al., 2005; Dong et al., 2006). Whether stock acquisitions driven by overvaluation can create value for shareholders remains inconclusive. Savor et al. (2009) argue that success in a stock acquisition can create long-term value for shareholders because acquirers benefit from cost advantages when using overvalued stock to purchase target assets. However, Fu et al. (2013) challenge this idea and find that overvalued acquirers in stock acquisitions overpay for their targets and have negative synergies in the post-acquisition years. The equity overvaluation generates substantial agency costs (Jensen, 2005), which leads to value-destroying acquisitions and undermines the allocative efficiency of the market for corporate control. Inconsistent with the bidder opportunism hypothesis based on equity overvaluation, Eckbo et al., (2018) document that the use of stock to pay for the target is driven by the information asymmetry between bidders and the target. They find that public bidders use more stocks in the deal payment when the target knows more about the bidders.

The prevalent information asymmetry and the associated overvaluation theory apply well

[7] Although the 2023 amended Company Law reduced the threshold for shareholders' proposal rights from 3% to 1%, the board of directors may still review whether a proposal 'falls within the scope of authority of the shareholders' general meeting' and 'does not violate laws and regulations.'

in the U.S. and other developed markets like Hong Kong, however, they may not apply to stock acquisitions in mainland China for several reasons. The institutional background and regulatory environment for acquisitions differ significantly in China. Stock acquisitions in the U.S. usually involve a one-time issuance, which is fast and allows the acquirer to time the market. In contrast, stock acquisitions in China are typically conducted through private placements and the stocks are issued for multiple times, as the private placement rule in China requires that a one-time issuance of stocks via private placement should not exceed 30% of the firm's original stock value. Meanwhile, stock acquisitions in China experience complex and lengthy regulatory review process. The CSRC carefully reviews deal documents, assesses deal size and quality, and decides whether to approve the deal. Splitting the stock issuance process into multi-stages can increase the odds for the deal to be approved. Hence, private placement-based acquisitions in China are usually conducted for multiple times, making it hard for acquirers to time the market.

Regulatory approval of acquisitions in China may also alter the distribution of deal quality and reveal incremental information to the market, leading acquirers to face different market reactions and to exhibit different long-term performance. Different from SEC in the U.S. which focuses on sufficiency of information disclosure, the CSRC in China focuses on both information disclosure and substantive judgement, which means the CSRC conducts strict review of the deal quality. The CSRC also implements administrative rules that restrict stock issuance size and frequency. Therefore, deals that can go through the strict regulatory review process may signal the quality of the target and the acquirer's confidence in generating synergy, leading to superior market and operating performance. The regulator's requirement of information disclosure about the target's financial status and the terms of the transaction can help mitigate information asymmetry between the acquirer and the target, reducing frictions that hinder synergy creation. Finally, controlling shareholders and other investors that participate in private placement acquisitions are subject to the lockup period requirement, which is from 12 to 36 months, much longer than that in the U.S. The lockup period can act as a commitment mechanism which helps ensure that the interests of blockholders and the acquiring firm better aligned after the acquisition, facilitating post-acquisition resource integration and enhancing investor confidence in holding the acquirer's stock for the long term. Indeed, Chen, Liu, and Rossi (2024) show that including lockup as contractual arrangement in stock mergers signals strong fundamentals and high valuation of the acquirer at the time of takeover.

Acquiring a firm often involves corporate control transfer of the target, hence, the acquirer

may have to actively upgrade its ability to manage the larger consolidated firm in order to create value for its shareholders. The adjustment needed could be more significant when the target is large. Acquirers differ in their ability to complete the deal and manage the new firm. Acquirers with a stronger capability to enhance their corporate governance mechanisms and management competencies post-merger tend to generate greater synergy. In contrast, acquirers that are sluggish in post-transaction adjustments typically experience underperformance in the post-deal phase. Therefore, we hypothesize that the extent to which an acquirer improves its corporate governance during the M&A process is positively associated with its post-acquisition performance.

Literature on block acquisition and corporate governance supports the view that the market for partial corporate control plays an important role in limiting agency costs. Bethel, Liebeskind, and Opler (1998) find that activist investors were most likely to purchase large blocks of shares in highly diversified firms with poor profitability and document positive stock market reaction following activist block purchases. Later studies argue that institutional investors, like hedge funds, are able to influence corporate boards and managements (Brav, Jiang, Partnoy, and Thomas, 2008). More recent literature discusses the incentives of institutional investors to be engaged in corporate management (Lewellen and Lewellen, 2022), and provides more detailed arguments on how activist investors behave in the market for corporate control (Corum and Levit, 2019). Brav, Jiang, Li, and Pinnington (2024) investigate the role of mutual funds in affecting corporate decisions in the setting of proxy contest, and argue that both passive and active funds are well informed about firm fundamentals. Passive funds are found to be diligent and effective monitors in pivotal, high-stake voting events.

Partial acquisition of stocks (‘*jupai*’ in Chinese) in the secondary market in China constitutes another market for corporate control. The emergence of *jupai* in China’s A-share market is the result of the combined effects of asset allocation needs, industrial integration demands, and regulatory policy guidance. From the perspective of driving factors, some industrial capitals attempt to achieve upstream and downstream integration through partial acquisition. Companies with scattered equity ownership (e.g., major shareholders holding less than 20% of shares or no actual controller) have a low threshold for control, making them easy targets for partial acquisition. The 2015 ‘Baoneng-Vanke’ dispute is a typical case. Firms with governance defects, such as inefficient management or opaque information disclosure, are also more likely to be targeted for partial acquisition due to undervaluation or lack of internal control. However, not all partial acquisitions are motivated by governance issues. Some insurance funds conduct shareholding disclosure events for financial investment purposes only,

such as to obtain stable dividends.

Due to different motivations that drive partial acquisitions, the impact of partial acquisitions on corporate governance and performance vary. On the positive side, activist shareholders can improve governance by participating in the board of directors and optimizing the equity structure. For instance, after the 'Baoneng-Vanke dispute', Vanke introduced Shenzhen Metro as a strategic shareholder, and its ROE rebounded to 15.2% in 2024.[8] On the negative side, partial acquisitions are usually done by aggressive purchase of shares in the secondary market, which can easily trigger internal conflicts over control.[9] Additionally, among the stocks targeted by insurance funds' shareholding disclosure events from 2015 to 2023, over 60% saw their stock prices decline during the heavy holding period, with long-term returns mainly relying on dividends.

In summary, partial acquisitions serve as a mechanism for market resource allocation, but their actual impact needs to be assessed based on the motives of the parties involved, their resource integration capabilities, and the regulatory environment. Whether corporate control transfer via partial acquisition in China requires empirical investigation.

3. Data and Sample

Mergers and acquisitions (M&A) data for firms listed on the A-share market and the Hong Kong Stock Exchange (HKSE) from 2000 to 2022 are sourced from the CSMAR and WIND databases, respectively. For M&A transactions in the A-share market, we include completed acquisition deals in which the acquirer is a listed company, and the deal is classified as an asset acquisition (S3001), asset swap (S3003), merger by absorption (S3004), and tender offer (S3007) in the CSMAR database. For transactions in HKSE, we include completed acquisition deals involving listed acquirers, applying consistent restructuring-type criteria based on WIND classifications. As the legal framework for M&As in China was formalized in 2002, our analysis focuses on acquisitions first announced between 2002 and 2022. We exclude deals involving financial institutions, backdoor listings, and deals with missing key variables. Firms

[8] Another example is the partial acquisition of Huaguang Energy by Zijing Insurance (https://paper.cnstock.com/html/2024-01/04/content_1862966.htm). Zijing Insurance acquired 5.0012% of Huaguang Energy's share via negotiated transaction. After long-term investors like Zijing Insurance partially acquired the shares of Huaguang Energy, they promoted the proportion of Huaguang Energy's new energy business from 18% in 2023 to 35% in 2024, driving the stock price up by 42% cumulatively over three years.

[9] For example, after Wolong Nuclear Material's shareholding in ST Changyuan, problems such as financial fraud and goodwill impairment emerged. In 2024, ST Changyuan's net profit plummeted by 1216%, and its asset-liability ratio rose to 76.86%. Some parties conducting shareholding disclosure events, such as Zhang Yuejun, sold 4.03 million shares of Huashe Group the day after accumulating shares, constituting short-term trading and exacerbating stock price volatility.

that are designated as ST, PT, or *ST, or undergoing delisting procedures in the announcement year are also excluded. For cases where the same acquirer announces multiple transactions on the same announcement date, we aggregate the total payment amount by the firm on that date and retain the transaction with the largest payment amount for each acquirer-announcement date pair. If there is a private placement acquisition among these transactions, we give priority to retaining the private placement deal. Observations with an aggregated payment amount of less than one million yuan are excluded. To avoid overlapping observations in the analysis of long-term performance, we retain only one transaction per acquirer per year. If multiple stock-financed acquisitions via private placements are announced in the same year, we retain the first; otherwise, we include the first cash-financed transaction.

The final sample comprises 2,196 A-share firms with 4,079 acquisition transactions and 358 HKSE listed firms with 469 transactions first announced during 2002 and 2022, based on the sample that retains only one transaction per firm per year.[10]

The sample of initial partial acquisitions for A-share listed and HKSE listed firms is also selected from the CSMAR and Wind, respectively. We focus on equity transfer transactions that trigger the disclosure of substantial shareholding, in which acquirers are intended to establish significant influence or gain substantive control over the target firms. Starting from all announced and successfully completed M&A deals with listed companies as targets, we limit the sample to cases in which the acquirer's initial shareholding in the target is less than 2%. We further exclude observations where the acquirer's shareholding remains below 5% after the partial acquisition, or where post-acquisition shareholding data are missing and the acquired equity stake is less than 5%. Additionally, we drop observations in which the identity of the buyer is not disclosed, as these typically represent secondary market sales by existing shareholders without a strategic buyer and thus do not constitute substantive acquisitions. After these screening steps, we identify 3,725 transactions involving 1,973 non-financial A-share listed firms between 2001 and 2022, with no missing values for other control variables. For HKSE listed targets, we identify 275 transactions from 222 non-financial firms.

3.1. Measures of Market and Operational Performance

We follow the CAPM to estimate the abnormal return during the announcement period:

$$AR_{it} = (R_{it} - R_{ft}) - \beta_{it}(R_{mt} - R_{ft})$$

[10] Alternatively, if we retain one transaction per firm per M&A announcement date, the sample includes 2,203 A-share firms with 4,656 acquisition transactions and 358 HKSE listed firms with 538 transactions first announced during 2002 and 2022.

where R_{it} is the daily return for firm *i* on the date *t*, R_{mt} is the value-weighted market return on date *t*, R_{ft} is the risk-free rate, and β_{it} is estimated based on daily returns from past 200 trading days [-220, -21] using the CAPM. *AnnReturn_1d* is the abnormal return on the day of M&A announcement. *AnnReturn_3d* is the sum of the daily abnormal returns over the three-day event window around the M&A announcement date. If the stock is not traded on the announcement day, we select the nearest trading day to the announcement.

Following Fu et al. (2013), we calculate market-adjusted buy-and-hold returns to measure the long-term stock performance:

$$BHAR_{it} = \prod_{t=s}^{s+T}(1 + R_{it}) - \prod_{t=s}^{s+T}(1 + R_{mt})$$

where *t=s* is the M&A announcement date, R_{it} is the daily return for firm *i* on the date *t,* R_{mt} is the value-weighted market return on date *t,* and *T* is the holding period. *BHAR_12m*, *BHAR_24m*, and *BHAR_36m* are the buy-and-hold abnormal returns over holding periods of 12, 24, and 36 months, respectively. We include only those buy-and-hold abnormal returns that encompass a minimum of 180, 360, and 540 trading days within the respective 12-, 24-, and 36-month periods.

We measure firms' operational performance using return on assets (ROA) and return on equity (ROE). Specifically, *ROA_1yr* is the ROA in the year following the completion of the acquisition, *ROA_2yr* is the average ROA over the first two years post-acquisition, and *ROA_3yr* is the average ROA over the first three years post-acquisition. The calculation of post-acquisition ROE follows the same methodology.

3.2. Summary Statistics

Panel A of Table 1 reports the summary statistics for A-share listed acquiring firms, including abnormal returns during the announcement period, post-acquisition buy-and-hold abnormal returns (BHAR), and operating performance (ROA and ROE) over the first three years following deal completion. It also includes key firm characteristics measured at the fiscal year-end prior to the acquisition announcement. On average, acquiring firms experience positive cumulative abnormal returns around the acquisition announcement, with both mean and median values above zero, indicating a generally favorable market response to M&A announcements. Regarding post-acquisition BHAR, while the average values across 12, 24, and 36 months remain positive, the median values are negative and gradually decline over time. This dispersion suggests significant heterogeneity in long-term market performance across firms, with a subset of deals driving the positive average returns. Similarly, the average ROA

and ROE also decline slightly over time, further suggesting that initial gains from acquisitions may attenuate as post-deal integration challenges emerge and highlighting the importance of sustained value creation strategies in the long run. As for deal characteristics, 27.1% of the transactions are stock-financed through private placements of equity, 42.1% include performance guarantees, and 41.5% are successive acquisitions, where the acquirer has made at least one other deal announcement within three years before and after the current deal.

Panel B presents summary statistics for target firms in partial acquisitions of A-share listed companies, using consistent variable definitions as in Panel A. For firms that experience multiple partial acquisitions within the same year, we retain only the earliest deal by announcement date for descriptive analysis, resulting in 3,394 transactions from 1,973 firms. The variable *% Share Acquired* represents the total proportion of shares acquired by non-incumbent blockholders in a given year. On average, a listed A-share targets is subject to 1.2 partial acquisitions per year, with the aggregated stake acquired amounting to 18.0% of total shares.

Table A1 reports summary statistics for Hong Kong-listed firms in both the acquisition and partial acquisition samples. Panel A shows that the mean and median post-acquisition BHARs for Hong Kong-listed firms are both negative, providing preliminary evidence that, on average, long-term abnormal returns following acquisitions are less favorable for Hong Kong-listed firms than for A-share listed firms. Similarly, the mean post-acquisition ROA and ROE for Hong Kong-listed acquirers are also negative, further illustrating the relative underperformance of Hong Kong-listed firms in operating outcomes after acquisitions. Additionally, Hong Kong firms are less likely to undertake successive acquisitions, with only 19.2% of firms having made at least one additional acquisition announcement within a three-year window surrounding the current deal. Panel B reports summary statistics for partial acquisitions. The mean and median return on assets (ROA) and return on equity (ROE) in the three years following partial acquisitions are also negative, suggesting relatively poor post-acquisition operating performance among Hong Kong-listed target firms. On average, 41.5% of a firm's shares are acquired in these transactions each year, indicating a relatively high level of ownership transfer through partial acquisitions.

4. Post-Acquisition Performance of Acquirers

4.1. Compare the Performance of A-Share and Hong Kong-Listed Chinese Firms

We begin our study by examining the post-acquisition performance of A-share listed firms, using Hong Kong-listed firms as a benchmark. Within the HKSE sample, we further identify Hong Kong-listed Chinese firms, which are defined as those whose major business and operations are in mainland China, following Allen et al. (2024). Specifically, acquirers are classified as Hong Kong-listed Chinese firms if their registered province in the WIND database is located in mainland China, and those based in Hong Kong, Taiwan, Macau, or overseas are excluded. This empirical design enables us to compare A-share listed firms with counterparts exposed to similar macroeconomic and institutional environments, except for their listing venues. We estimate the following model:

$$Acquisition\ Performance_{i,t} = \alpha + \beta_1 A_share\ Listed + \beta_2 HK_Listed\ Chinses + \gamma Firm\ and\ Deal\ Controls + \eta_t + \xi_{ind} + \epsilon_{i,ind,t} \quad (1)$$

The dependent variables capture acquirers' post-acquisition performance, measured in the short term by cumulative abnormal returns (CAR) over 1- and 3-day windows, and in the long term by buy-and-hold abnormal returns (BHAR) over 12, 24, and 36 months following the acquisition announcement, and by the average ROA and ROE in the first one to three years after the completion of the acquisition. On the right-hand side of the equation, *A share Listed* is an indicator variable that equals one if the acquiring firm is listed on the A-share market, and zero otherwise. *HK Listed Chinese* is an indicator variable that equals one if the acquiring firm is listed on HKSE and has major business activities in mainland China.

Following Qian and Zhu (2018), we control for firm characteristics at the fiscal year-end prior to the acquisition announcement and M&A deal characteristics. Firm-level controls include the acquirer's *market-to-book ratio*, *operating cash flow*, *leverage, the ratio of total accruals to total revenue (accruals), net operating assets (NOA), and PreAnnreturn,* measured as the market-adjusted buy-and-hold return prior to the acquisition announcement. Deal-level controls include *Relative Size*, calculated as the transaction value divided by the acquirer's total assets in the year prior to the acquisition, *Related Deal*, an indicator for related party transactions, and *Serial_3yr*, an indicator for whether the acquirer has completed at least one acquisition in the previous three years. Following Offenberg and Pirinsky (2015), Wang and Xie (2007), all regressions include industry, year and merger type fixed effects (horizontal,

vertical, conglomerate, and others). Detailed variable definitions are provided in Appendix B.

Panel A of Table 2 presents the results for acquirers' announcement-period CAR over 1-day and 3-day event windows. Columns (1)-(2) include only the *A-share Listed* indicator, comparing announcement returns of A-share listed firms to those of the full HKSE sample. Columns (3)-(4) add the *HK-Listed Chinese* indicator, enabling a direct comparison between A-share listed firms and Hong Kong-listed Chinese firms. The results show that both A-share listed and Hong Kong-listed Chinese acquirers experience significantly higher announcement returns relative to other HKSE-listed acquirers. Columns (5) and (6) further control for the acquirer's stock turnover rate in the previous year. After including this variable, the coefficient on *A-share Listed* becomes statistically insignificant, while the coefficient on *HK-Listed Chinese* remains positive and significant, suggesting that higher speculative trading activities in the A-share market may play a key role in driving short-term market reactions to acquisition announcements among A-share listed firms.

Panel B of Table 2 reports BHARs for acquirers over 12, 24, and 36 months after the acquisition announcement. The results show that A-share listed acquirers consistently achieve higher long-term abnormal returns compared to both Hong Kong-listed acquirers and Hong Kong-listed Chinese acquirers. As shown in column (6), the three-year BHAR for A-share listed firms after the acquisition announcement is 21% higher than that of Hong Kong-listed Chinese acquirers. This result remains robust even after controlling for the acquirer's stock turnover rate in the previous year. These findings indicate that A-share listed acquirers realize superior long-term market returns relative to Hong Kong-listed acquirers.

Table 3 presents the results for the operating performance of acquiring firms, measured by average ROA in the one-, two-, and three-year periods following acquisition completion. Columns (1)-(3) show that A-share listed acquirers achieve significantly higher post-acquisition ROA compared to Hong Kong-listed acquirers across all three years. Columns (4)-(6) further show that A-share listed acquirers outperform Hong Kong-listed Chinese acquirers in terms of average ROA in the second and third years after the acquisition completion. The difference between the two groups reaches 1.3 % in the third year, suggesting a widening advantage in operational performance for A-share listed firms over time.

Overall, these findings underscore the role of mergers and acquisitions as an effective external governance mechanism that enhances firm value and operational outcomes for A-share listed firms. Acquisitions may help mitigate the long-term performance disadvantage of A-share listed firms, which is attributed to weaker corporate governance relative to overseas-listed peers (Allen et al. 2024).

4.2. Performance of Stock-Financed Acquisitions via Private Placements

We next examine the extent of value creation in the A-share market by comparing performance across different payment methods. Acquisition in A-share are primarily financed with cash, stock, or a mix. By deal count, cash remains the most prevalent method in acquisitions, accounting for approximately 73.4% of all deals in our sample. However, stock payments dominate large-scale transactions, with around 75% of stock-financed deals accounting for the top 30% of all transactions by deal value. Notably, private placements are the predominant form of stock-financed acquisitions in the A-share market, where acquirers issue new shares to the shareholders of targets, using stock as the acquisition consideration.

M&A payment methods, particularly the motivations and outcomes of stock-financed acquisitions in developed markets, have been extensively discussed. In the U.S. M&A market, information asymmetry (Hansen, 1987; Eckbo et al., 2018), agency problems from acquirer overvaluation (Shleifer and Vishny, 2003; Rhodes-Kropf and Viswanathan, 2004; Fu et al., 2013), and tax efficiency (Betton et al., 2008) are identified as key drivers of stock-financed acquisitions, with mixed conclusions regarding the performance of these transactions. However, in the A-share market, stock-financed acquisitions via private placements face stricter regulation, longer approval processes, and higher issuance costs, which may offset the typical cost advantages. As a result, A-share listed acquirers are more likely to pursue when they anticipate significant post-acquisition synergies, such as mitigating adverse selection caused by information asymmetry or demonstrating confidence in the target's future growth.

We group acquisitions by A-share listed firms based on their payment methods. We first identify stock-financed acquisitions via private placements by checking whether CSMAR funding source classification include the code "Q2201". We then categorize these transactions based on whether the payment is made entirely through private placements or via a mix of payment methods. Specifically, *Only_Equity_PP* is an indicator that equals one if the acquisition is financed entirely through a private placement of stock, and zero otherwise. *Mixed_Payment_PP* is an indicator that equals one if the acquisition is financed through a combination of private placement of stock and other sources, such as cash or asset swaps, and zero otherwise. Additionally, for acquisitions ultimately paid in cash, we identify those where the cash is raised through private placement of stock to strategic investors or other designated parties, denoted as *Cash_Payment_via_PP*. The regression estimation model is as follows:

$$Acquisition\ Performance_{i,t} = \alpha + \beta_1 Only\ Equity\ PP + \beta_2 Mixed\ Payment\ PP +$$

$$\beta_3 Cash\ Payment\ via\ PP + \gamma Firm\ and\ Deal\ Controls + \eta_t + \xi_{ind} + \epsilon_{i,ind,t} \quad (2)$$

Panel A of Table 4 examine the market performance of acquisitions financed with private placements and compares them with acquisitions financed by other payment methods. Columns (1) and (2) report cumulative abnormal returns over one-day and three-day announcement windows for acquisitions with different payment methods. Column (3)-(5) report BHARs over 12, 24, and 36 months following the acquisition announcement. The results show that the market reacts most positively to acquisitions paid exclusively with private placement shares, and this superior market reaction persists over the long term, with the 36-month BHAR being 19.7% higher than for cash-financed deals. While acquisitions financed with a combination of private placement of equity and other sources also experience significantly higher announcement returns compared to cash-financed, their long-term BHAR do not show a persistent premium. Acquisitions financed with cash raised through private placements do not exhibit significantly different market performance compared to the benchmark. The coefficients on BHARs are negative and statistically insignificant, indicating that these deals even fail to outperform other cash-financed acquisitions in the long term.

Panel A of Table 5 shows the operating performance of acquisitions with different payment methods. Columns (1)-(3) present average ROA in the first, second, and third years after deal completion. Acquisitions paid exclusively with private placement shares show positive and statistically significant improvements in ROA across these horizons, with the average ROA increasing from 1.2% in the first year to 2.0% in the third year after completion compared to cash-financed deals. Mixed-payment and cash-payment acquisitions involving private placements do not show significant differences in post-acquisition ROA compared to the benchmark. Columns (4)-(6) present average ROE over the same three-year window after the deal completion, and the results are consistent with those for ROA.

Taken together, these findings show that acquisitions paid exclusively with private placements create the most value among all payment methods, with distinct advantages in improving corporate governance and facilitating synergy realization after acquisitions. Using equity as the sole consideration strengthens incentive alignment between acquirer and target and conveys a credible commitment to value creation. Lock-up requirements for target shareholders further reinforce alignment and facilitate integration, enhancing the governance benefits of pure private placement deals relative to mixed or cash payments.

4.2.1. Lock-up Period and Post-Acquisition Performance

In China's A-share market, the issuance of shares to specific parties for the purpose of purchasing assets is subject to mandatory lock-up requirements, which restrict the resale of the consideration shares for 12 or 36 months depending on the identity of the counterparty and the nature of the asset transfer.[11] Out of 1,094 stock-financed acquisitions via private placements in our sample with available lock-up information, 643 transactions involve a 12-month lock-up period, of which 497 also impose a concurrent 36-month lock-up. Another 451 transactions are subject solely to a 36-month lock-up. By restricting immediate share liquidation and discouraging short-term speculation, these lock-up requirements are designed to align new investors' incentives with the acquirers' long-term value creation. Accordingly, we expect private placement acquisitions with longer lock-up periods to achieve better post-acquisition market and operating performance.

Panel B of Tables 4 and 5 presents the effects of lock-up periods on post-acquisition performance for stock-payment deals via private placements. The variable *Lock_up_12m* equals one if the lock-up arrangement includes a 12-month term (either alone or in combination with a 36-month lock-up), and zero if it includes only a 36-month lock-up. The results show that acquisitions with a 12- month lock-up underperform those with only a 36-month lock-up in terms of BHAR over the 2- and 3-year horizons. Regarding accounting performance, acquisitions with shorter lock-up period exhibit significantly lower ROA and ROE in the second and third years after completion compared with those subject to a 36-month lock-up. Specifically, acquisitions with a 12-month lock-up exhibit a 14.0% lower three-year BHAR and a 1.8% lower three-year ROA than those with only a 36-month lock-up.

Overall, the findings highlight the importance of lock-up design in private placements and indicate that a longer lock-up arrangement is associated with better post-acquisition performance. Longer lock-up periods help to reinforce the alignment of interests between new shareholders and the acquiring firm and encourage them to support the firm's post-acquisition integration and growth.

[11] According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies, revised and effective in February 2023, shares issued to specific parties in asset purchase transactions are subject to a mandatory 12-month lock-up. A 36-month lock-up applies if (i) the counterparty is a controlling shareholder, de facto controller, or their affiliate; (ii) the counterparty acquires actual control of the listed company through the transaction; or (iii) the counterparty has not held the contributed assets for at least 12 months. Notably, across the five regulatory revisions since 2011, the lock-up duration requirements have remained unchanged.

4.2.2. Determinants of Acquisition Payment Method

We further examine the firm-level determinants underlying the choice of payment method in acquisitions, with a particular focus on stock-financed deals via private placements. Pecking order theory (Myers and Majluf, 1984) posits that firms prioritize internal funds, then debt, and turn to equity issuance only as a last resort, due to information asymmetry and financing frictions. Generally, equity issuance is costly and often interpreted by investors as a sign of overvaluation or financial distress. In China, however, small and medium-sized, private, and high growth companies generally encounter obstacles to obtaining bank loans or issuing bonds, owing to restricted credit access, insufficient collateral, and regulatory barriers. Nonetheless, these firms actively pursue acquisitions to achieve expansion, resource integration, and efficiency gains. Accordingly, we hypothesize that financing constraints and firm growth opportunities may play a crucial role in shaping whether firms opt for stock-financed or cash-financed acquisitions.

In Table 6, we first compare the financing costs and bond market accessibility between acquirers using different payment methods. Panel A shows that firms conducting stock-financed acquisitions via private placements tend to face higher debt financing costs, lower equity financing costs, and exhibit greater bond market accessibility compared to those using cash payments, especially among small- and medium-cap acquirers. Next, in Panel B, we employ a multinomial logit model to examine how firm characteristics, including financing costs, growth opportunities, cash holdings, and ownership structure, affect both the decision to engage in acquisitions and the choice of payment method. We use non-acquiring firms as the reference group. Columns (1)-(2) report the determinants of engaging in cash-financed acquisitions, while columns (3)-(4) present the corresponding results for stock-financed acquisitions via private placements.

We find that firms operating in industries with higher growth opportunities, as proxied by the median industry Tobin's q, those with smaller market capitalization, and non-state-owned enterprises are more likely to engage in acquisitions. Among these, firms with lower equity financing costs, higher growth opportunities, more dispersed ownership, and higher managerial ownership are more likely to private placement of equity to finance their acquisitions. Specifically, column (4) shows that the odds ratio for the cost of equity capital is 0.071 and statistically significant at 5% level, highlighting that a one-unit increase in equity cost lowers the odds of stock-financed payment by approximately 93%. The odds ratio for the median industry Tobin's q is 1.318, indicating industry growth opportunities is associated with a 31.8%

increase in the odds of stock-financed acquisitions.

Our findings suggest that private placements of equity serve as an effective and economically significant financing alternative for firms possessing relatively lower costs of external equity. For these firms, often characterized by strong growth potential and limited access to traditional financing channels, issuing shares to acquisition counterparties enables them to pursue value-enhancing acquisitions without incurring excessive financial frictions.

4.2.3. Financing Constraints and Post-Acquisition Performance

This subsection examines the effect of debt financing constraints on post-acquisition performance of stock-financed deals via private placements. We proxy firms' difficulty in accessing traditional credit markets using four key indicators: high debt financing cost, bond market accessibility, growth potential, and small- or medium-cap status. We hypothesize that firms facing greater financing constraints achieve superior post-acquisition performance when financing acquisitions through private placements, as this mechanism allows them to overcome credit frictions and exploit growth opportunities otherwise unavailable through conventional channels.

In Table 7, we focus on the interaction terms between *StockFin_PP* and these four variables. *StockFin_PP* equals one if the acquirer uses shares issued via private placement (*Only_Equity_PP* + *Mixed payment via PP*) to finance the acquisition, and zero otherwise. *High debt cost* equals one if the acquirer's interest expense-to-interest-bearing debt ratio in the year prior to the deal announcement is above the median for all A-share firms, and zero otherwise. *High growth firm* equals one if the acquirer's market-to-book ratio is above the annual industry average, and zero otherwise. *Bond issuance* is coded as one if the acquirer has issued at least one corporate bond, enterprise bond, or medium-term note prior to the acquisition. *S+M Cap.* is an indicator for small- and medium-cap firms, based on prior-year circulating market capitalization.

The results show that for firms with high debt financing costs or high growth potential, stock-financed acquisitions via private placements are associated with significantly better accounting performance in the years following the acquisition. Specifically, compared to firms with lower debt financing costs, those with high debt financing costs exhibit a 1.9 percentage point higher ROA in the third year after completing a stock-financed acquisition via private placement. Similarly, high-growth firms achieve a 1.2 percentage point higher ROA in the third year relative to their low-growth counterparts.

Overall, these results highlight that private placements are particularly effective in

improving the post-acquisition operating performance of firms facing high debt financing costs or with high growth potential. The findings underscore the strategic role of private placements in alleviating financing constraints and supporting value creation in acquisitions within the A-share market.

4.3. Acquisition Performance Heterogeneity in the A-Share Market

4.3.1. Can Related-party Deals Explains Outperformance of A-share Deals?

Thus far, our analysis consistently show that A-share listed acquirers achieve superior post-acquisition market and operating performance compared to their HKSE listed peers and A-share listed firms with withdrawn deals. In this section, we turn to the cross-sectional heterogeneity that shapes long-term post-acquisition outcomes among A-share listed acquirers, with a focus on ownership structure and transaction characteristics that may amplify or constrain value creation.

A-share listed firms are characterized by high ownership concentration, with controlling shareholders holding substantial stakes and dominating corporate decision-making. This governance structure give rise to agency problem involves the interest conflict between controlling and minority shareholders (Jensen and Meckling, 1976), and enables controlling shareholder expropriate corporate resources through related-party transactions. Examining acquisitions involving related-party transactions provides insights into how governance frictions affect post-acquisition value creation. In addition, the political connections of controlling shareholders and executives in Chinese state-owned enterprises may lead these firms to prioritize political or social objectives over profit maximization (Fan et al., 2007). Acquisitions by SOEs tend to be policy-driven, and the efficiency of these transactions is also shaped by such political connections. Therefore, we analyze the heterogeneity in post-acquisition performance by related-party transactions and ownership structure to better understand how M&A outcomes are shaped in the A-share market.

Related-party transactions (RPTs) in M&As refer to deals in which a listed company engaging in asset acquisitions, equity transfers, or cooperative investments with its controlling shareholder, ultimate controller, or other affiliated parties under common control. In the A-share market, the primary purposes of related-party acquisitions are to optimize asset allocation within the corporate group, such as by transferring or injecting operating assets and profitable businesses into the listed company, or to restructure internal equity holdings among affiliates to improve overall group control and operational efficiency. In our sample, related-party

acquisitions account for approximately 39% of all acquisitions, and their deal size, measured by payment amount, is generally larger than that of non-related-party acquisitions.

While these deals can help distressed listed companies acquire high-quality assets, strengthen their core business, or improve financial performance, they also raise concerns regarding governance frictions. Controlling shareholders may exploit these transactions to transfer low-quality assets, overstate valuations, or tunnel corporate resources for personal gain at the expense of minority shareholders, which may undermine post-acquisition performance. To examine whether acquisitions in the A-share market function as an effective external governance mechanism that enhances firm performance, this subsection investigates the heterogeneity in post-acquisition performance between related-party and non-related-party acquisitions.

Panel A of Table 8 analyzes post-acquisition performance heterogeneity by distinguishing whether acquisitions in the A-share market involving RPTs. *A_Share_RPT* is a dummy variable equals one if the deal is an A-share related-party acquisition, and zero otherwise. *A_Share_Non_RPT* equals one if the deal is an A-share non-related-party acquisition, and zero otherwise. The benchmark in this regression specification is the deals initiated by Hong Kong-listed firms not registered in mainland China. Column (1)-(3) show results for market performance measured by 12-, 24-, and 36-month BHAR after acquisition announcement. Column (4)-(6) show results for operating performance measured by average ROA over the first, second, and third years after acquisition completion. The coefficients on *A_Share_Non_RPT* are positive and statistically significant across all specifications, and are larger than those for A-share related-party transactions and Hong Kong-listed Chinese firms, indicating that A-share non-related-party acquisitions consistently outperform the latter groups. In contrast, the coefficients on *A_Share_RPT* are positive but not statistically significant, and their magnitudes are similar to those of Hong Kong-listed Chinese firms, suggesting no clear performance advantage for related-party transactions.

Overall, these results suggest that the superior post-acquisition performance observed in the A-share market is primarily driven by non-related-party acquisitions, while related-party transactions fail to deliver comparable improvements. This relative underperformance reflects the potential tunneling risks and governance challenges embedded in RPTs, resulting in lower efficiency of value creation. This finding underscores the importance of stricter regulatory oversight and improved governance for related-party acquisitions, so as to better protect the interests of minority shareholders and facilitate post-acquisition integration and synergy realization.

4.3.2. State Ownership and Post-acquisition Performance

We next examine whether and how state ownership affects post-acquisition performance in the A-share market. In China, M&As by state-owned enterprises are highly policy-driven, often align with administrative goals such as industrial upgrading and the consolidation of state-owned assets. At the same time, SOE executives typically make acquisition decisions with their political promotion incentives, placing emphasis on firm size expansion and lacking incentives to improve post-acquisition performance. Consequently, SOE acquisitions are not solely motivated by corporate profit maximization, which may lead to inefficient resource allocation, overpayment for targets, and post-acquisition integration challenges. However, SOEs also benefit from preferential access to resources and policy support, and face fewer pressures for short-term shareholder returns. These advantages can lower the cost of corporate restructuring and allow firms to focus on long-term value creation, partially offsetting the adverse effects of weaker managerial incentives and agency costs inherent in SOE acquisitions.

In Panel B of Table 8, acquisitions by A-share listed firms are categorized into SOE and non-SOE deals, represented by the dummy variables *A_Share_SOE* and *A_Share_Non_SOE*, respectively. As shown in columns (1)-(3), acquisitions by A-share listed non-state-owned enterprises exhibit significantly higher BHARs than both SOE acquisitions and those conducted by HKSE listed firms over the 12-, 24-, and 36-month periods following the announcement. The BHAR gap between non-SOE and SOE acquirers increases from 6.8% at 12 months post-announcement to 14.5% at 36 months, indicating a widening performance gap over time. Regarding operating performance, columns (4)-(6) show that non-SOE acquisitions also achieve higher average ROA than Hong Kong-listed acquirers in the first to third years after acquisition completion. However, unlike the results for BHARs, the difference in post-acquisition ROA between SOE and non-SOE acquisitions is less pronounced.

One plausible explanation is that while SOEs tend to pursue larger-scale acquisitions, with an average deal size approximately 3.2 times that of non-SOEs, they pay lower acquisition premiums. This may may contribute to lowering integration costs and facilitate comparable improvements in operating efficiency. Furthermore, the soft budget constraints that SOEs benefit from also enable them to sustain or even improve their post-acquisition accounting performance. Conversely, investors may interpret these lower premiums as signals of non-market-driven negotiations or policy-driven acquisitions, leading to weaker stock market responses.

These findings demonstrate how acquirer ownership structure shapes post-acquisition outcomes in the A-share market. The superior post-acquisition performance of non-SOE acquirers underscores the efficacy of market-oriented incentives and governance structures in driving value creation. In contrast, the relatively weaker market performance of SOE acquirers suggests that investors discount SOE acquisitions because of agency frictions and policy-driven motives, even though these deals do not materially impair accounting returns.

4.4. Corporate Governance and Post Acquisition Performance

Corporate governance plays a critical role in shaping the success of mergers and acquisitions, as it mitigates agency problems throughout the decision-making process, deal execution, and post-acquisition integration. Effective governance helps strengthen internal controls and monitoring, promote efficient resource allocation, and curb opportunistic behaviors, thereby facilitating operational synergies and value creation in the post-acquisition period. Moreover, as an external governance mechanism, M&As can disrupt entrenched managerial interests, introduce new governance structures and external oversight, which enhance acquirers' governance efficiency and support long-term performance. In this section, we examine how changes in corporate governance after deals affect acquirers' post-acquisition performance, which is essential for understanding the value creation process in M&As.

Table 9 examines four key indicators of corporate governance improvement: increased ownership concentration, increased board size, increased managerial ownership, and reduced related-party transaction (RPT) amounts. An increase in the shareholding ratio of the top five shareholders strengthens monitoring from large shareholders and mitigates managerial opportunism. Changes in the board size affect the efficiency of board decision-making and oversight. Increased managerial ownership aligns the interests of managers and shareholders, thus enhancing long-term value creation. Finally, a decrease in RPT expenditure signals better internal governance, as excessive related transactions are often associated with expropriation and tunneling. We examine whether the above governance indicators improve in the first year after acquisition completion relative to the year prior to the announcement, and analyze their impact on post-acquisition market and operating performance.

The results show that improvements in corporate governance are significantly associated with better post-acquisition performance. Specifically, acquisitions with increased ownership concentration and decreased related-party outflows have higher 24- and 36-month BHARs, and higher post-deal ROA across 1-3 years. Increases in management shareholding associate with significantly higher BHARs, while their effects on ROA are modest. The coefficient for

changes in board size is negative but generally not statistically significant, except for ROA in the third year after the acquisition. This finding suggests that, although not consistently significant, an increase in board size tends to be associated with weaker post-acquisition operating performance, aligning with the fact that excessively large boards may impair governance efficiency.

Overall, the findings highlight that governance enhancements serve as an important mechanism for value creation in mergers and acquisitions. Strengthening corporate governance improves monitoring, aligns managerial and shareholder interests, and facilitates more effective post-acquisition integration, which helps sustain that value creation from acquisitions is sustained over the long term.

4.4.1. Corporate Governance, Payment Method, and Value Destruction

Thus far, our findings suggest that cash-financed acquisitions underperform in the A-share market, and emphasizes the critical role of corporate governance in shaping acquisition decisions and ensuring the post-deal synergies. In this subsection, we further investigate which types of acquisitions are most prone to value destruction by examining how governance characteristics interact with payment method to affect post-acquisition performance.

Table 10 examines how corporate governance characteristics affect post-acquisition performance in different payment methods. Panel A presents mean-difference tests on governance characteristics for acquirers involved in stock-financed versus cash-financed acquisitions. We find that, relative to cash payment acquirers, stock payment acquirers on average have significantly lower ownership concentration among their top five shareholders, less frequent CEO-chairman duality, and are more likely to engage in related party transactions. Panel B then analyzes how corporate governance interacts with payment method choice to affect post-acquisition outcomes, with a particular focus on whether cash-financed acquisitions destroy value. The results suggest that for cash-paid acquisitions, higher managerial ownership and more institutional investor holdings support stronger long-term operating performance, as reflected in higher ROA in the years following the acquisition. In contrast, cash-financed related party acquisitions are associated with significantly poorer operating outcomes.

This finding suggests that effective governance, through active external monitoring and managerial alignment, can enhance value creation in cash-paid acquisitions, while related party deals involving cash payment may exacerbate agency problems and lead to value destruction. Cash payments in related deals provide controlling shareholders with greater flexibility to

expropriate corporate resources for personal gain, undermining the interests of minority shareholders and eroding firm value. These results further underscore the importance of effective corporate governance in safeguarding shareholder interests and promoting efficient investment and resource allocation.

4.5. Addressing Endogeneity: Comparing Completed and Withdrawn Acquisitions

A primary concern in assessing post-acquisition performance is that observed improvements may stem not from the acquisition itself, but rather from selection biases or inherent firm characteristics. Firms with better growth prospects, superior corporate governance, or more favorable external conditions may be more likely to initiate acquisitions and to achieve superior performance irrespective of the deal. To address this concern, we compare the outcomes completed acquisitions with those of withdrawn acquisitions. Withdrawn acquisitions are defined as transactions coded "N" under the variable *issucceed* in the CSMAR database, which produces 1,254 failed acquisition cases. We then exclude cases in which the same acquirer completes any other successful acquisition within three years before or after this withdrawn deal announcement, preventing confounding effects from other successful deals.

In the A-share market, the termination of M&A transactions is primarily driven by exogenous or semi-exogenous factors. The most common reason is disagreement between buyers and sellers over valuation or transaction terms, such as the valuation of targets, performance commitments, or payment methods. These negotiations reflect the bargaining process between parties and are largely unrelated to the acquirer's underlying profitability or governance quality. In addition, regulatory and compliance issues, such as failure to obtain required approvals or compliance deficiencies at the target, and changes in market conditions, including policy shocks or tightening financing conditions, may also lead to deal withdrawals. However, these two types of cases are relatively infrequent in practice and are typically triggered by external circumstances or policy changes, rather than acquirer's inherent quality. Overall, most deal terminations in the A-share market stem from external factors, which provides a solid rationale for using withdrawn deals as a control group to isolate the effect of firm's pre-existing quality in empirical analysis.

To further ensure comparability, we match each completed acquisition to withdrawn ones announced in the same year and industry. For every successful deal, we retain up to three failed acquisitions with the closest acquirer total assets. The final matched sample consists of 3,184

completed acquisitions from 1,729 firms and 415 failed acquisitions from 360 firms.

Appendix Table IA.2 reports the mean difference tests comparing post-acquisition market returns and operating performance between matched completed and withdrawn acquisitions. The results show that compared to withdrawn deals, completed acquisitions have significantly higher buy-and-hold abnormal returns over 12 to 36 months and superior operating performance in the first to third years after the acquisition completion. Importantly, the mean BHARs for withdrawn acquisitions are negative across all horizons, while those for completed acquisitions are positive, highlighting the value creation associated with successful deal completion. Table 11 presents the regression results, controlling for firm and deal characteristics. Columns (1)-(3) show that completed acquisitions are associated with significantly higher long-term market returns compared to withdrawn deals. Columns (4)-(6) report results for operating performance. The coefficient on *Success Deal* remains positive and statistically significant in the first and second years after completion, though the magnitude declines in the third year. This further confirm that successful acquisitions yield superior market and operating performance in the years after the deal relative to withdrawn transactions.

However, one concern is that firms' decision to withdraw an acquisition may not be exogenous, as withdrawal could be driven by unobserved firm-specific weaknesses that also affect post-deal performance. To address this concern, Table 12 compares the performance differences between completed and withdrawn deals within periods of major exogenous shocks: the 2015 A-share stock market crash and the 2020 COVID-19 shock. when deal withdrawals are more likely driven by external factors beyond firm-level fundamentals.

The results show that even under these exogenous conditions, completed acquisitions consistently outperform withdrawn ones in both market and operating performance. In Panel A, during the 2015 market crash, completed deals exhibit significantly higher BHAR over the 12- and 24-month horizons, and higher ROA in the first two years after the acquisition completion. Panel B shows that, during the COVID-19 shock, completed deals exhibit positive and statistically significant differences in both BHAR and operating performance across all three years relative to withdrawn deals. These findings help mitigate endogeneity concerns and further validate the performance premium associated with successful acquisitions.

Taken together, these findings suggest that the superior long-term market and operating performance observed for A-share listed acquirers is primarily driven by the completion of acquisitions itself, rather than by unobserved firm quality or selection bias. This comparison helps mitigating endogeneity concerns and strengthening the causal interpretation of the positive impact of acquisitions.

4.6. The 2020 Refinancing Regulation and Performance of Private Placement Acquirers

The 2020 refinancing regulation reduce issuance discounts and execution risk for private placements by broadening investor participation, increasing pricing flexibility, and streamlining offering procedures. While these changes directly targeted fund-raising transactions, they also indirectly benefited acquisitions paid with shares issued via private placements. For such deals, the financing step becomes cheaper due to reduced placement costs, while regulatory review and long lock-up requirements for counterparties remain in place, preserving regulatory scrutiny and incentive alignment. Therefore, we hypothesize that, following the 2020 reform, acquirers pay for the deal with stock via private placements exhibit improved post-acquisition performance relative to the pre-reform period.

In Table 13, we use non-acquiring listed firms in the A-share as the benchmark and conduct a cross-sectional comparison of post-acquisition operating performance for acquirers that finance deals with shares issued via private placements, before and after the 2020 refinancing regulation. Specifically, we compare ROA and ROE over 1-, 2-, and 3-year horizons relative to propensity-score-matched industry-year peers. Each private placement acquirer is matched to three nearest-neighbor firms from the same industry and year within a 0.05 caliper, based on comparable firm characteristics. The results show that, after the implementation of the 2020 refinancing regulation, private placement acquirers exhibit significantly higher ROA and ROE compared to non-acquirers over two- and three-year horizons relative to non-acquiring firms.

The evidence indicates that the 2020 reform increased the efficiency of private placements as an acquisition financing channel. Lower issuance costs, combined with continued regulatory scrutiny and long lock-ups, support better post-deal operating outcomes for stock-financed acquirers. This highlights how refinancing rules can shape financing choices and improve real performance by easing equity frictions without diluting governance safeguards.

5. Post-Partial Acquisition Performance of Public Target Firms

In this section, we examine the consequences of partial acquisitions in which A-share listed firms act as targets. Partial acquisitions, typically involving outside blockholders, do not necessarily lead to a transfer of control, but they can significantly reshape the governance structure of the target firm. By acquiring a substantial minority stake, external investors may gain sufficient voting power to influence corporate decisions, alter board representation, or strengthen monitoring over management. External investors are widely recognized as a key

disciplinary force, helping to mitigate agency conflicts associated with dominant insiders or state ownership in China. Studying partial acquisitions provides valuable insights into how external governance can be exercised in emerging markets, and how incremental shifts in ownership may generate disciplinary effects and ultimately affect firm long-term value.

5.1. Determinants of Partial Acquisitions in the A-share Market

We start by examining the determinants of firms being partially acquired in the A-share market. Understanding what firm characteristics are associated with a higher likelihood of becoming a target of partial acquisitions provides important context for interpreting subsequent market reactions and performance outcomes. Since partial acquisitions often signal strategic interest or control intent by existing shareholders or external investors, identifying the ex-ante characteristics of these firms helps us analyze whether such deals are driven by firm fundamentals, or governance structures.

As shown in Table 14, columns (1)-(2) compare partially acquired firms with failed partially acquired firms. In these regressions, firm characteristics are measured as of the year prior to the event, and industry median Tobin's Q is included as a control. Columns (3)-(6) compare partially acquired firms with firms that are never partially acquired, where continuous variables are measured as the average over the three years preceding the deal disclosure. Across both benchmarks, firms with higher management ownership are less likely to be subject to partial acquisitions, and conditional on being targeted, less likely to experience a successful acquisition. A plausible explanation is that managers with significant equity stakes may be more motivated and better positioned to resist external governance interventions, thus increasing the anticipated cost of gaining influence and deterring potential acquirers who anticipate greater opposition. In addition, relative to failed partial acquisitions, firms with larger board sizes are more likely to be successfully partially acquired, further suggesting that weaker internal governance may reduce resistance to external acquisition attempts. We also find that firms with lower ownership concentration, privately owned firms, and established firms operating in low-growth industries are more likely to become targets of partial acquisitions.

Taken together, these findings suggest that partially acquired firms tend to have weaker fundamentals and internal governance, making them more vulnerable and accessible to potential acquirers. External investors may target these firms due to their relatively low internal resistance and the potential for strategic intervention or turnaround opportunities.

5.2. Post-Partial Acquisition Performance: A-share versus HKSE listed Firm

Consistent with our analysis of acquirer performance, we use Hong Kong-listed targets as the benchmark to compare the long-term market and operating performance of A-share listed

targets following partial acquisitions. For targets that experience multiple new outside blockholder acquisitions within a given year, we aggregate the total proportion of shares acquired by non-incumbent investors annually, represented as *% Shares Acquired.* Given that the average annual proportion of shares acquired for Hong Kong-listed targets is 2.3 times that of A-share targets (as shown in the summary statistics in Table 1 and Table A1), we control for this variable in the regressions to more accurately isolate the effect of listing location on post-partial acquisition performance.

As shown in Panel A of Table 15, after controlling for industry and year fixed effects, and a set of firm and deal characteristics, A-share listed targets exhibit superior market and operating performance compared to their HKSE listed counterparts after partial acquisitions. Column (3) shows a 22.1% higher three-year BHAR for A-share targets, significant at the 5% level, suggesting that investors in A-share market have stronger confidence in the value implications of partial acquisitions by external investors. Regarding operating performance, column (4) shows that A-share targets have a 3.3% higher ROA in the first year after the deal. While this outperformance slightly diminishes in the second and third year, this finding suggests that partial acquisitions lead to more substantial improvements in firm profitability for A-share targets.

Overall, these results suggest that, compared to Hong Kong, partial acquisitions in the A-share market are associated with more robust post-acquisition performance, demonstrating that outside investors play a more effective monitoring role in enhancing corporate governance and driving value creation for A-share listed firms.

5.3. Targeted Shareholding Proportion and Post-Partial Acquisition Performance

We next examine how the proportion of shares acquired in partial acquisitions affects post-acquisition performance. In Panel B of Table 15, we interact *% Shares Acquired* with an *A-share listed* dummy variable to capture the differential post-acquisition outcomes between A-share and Hong Kong-listed targets, holding constant the total proportion of shares acquired by new outside investors within a given year. The coefficient on the interaction term is positive and statistically significant across all specifications, indicating that, for a given increase in stake acquired, A-share listed firms experience significantly greater improvements in both long-term market returns (BHAR) and operating performance (ROA) compared to their Hong Kong-listed counterparts.

Panel C focuses exclusively on A-share listed targets, confirming that the more substantial the block acquisition within a year, the greater the improvement in both long-term market and operating performance. These findings imply that sizable block acquisitions are associated with

substantial adjustments in ownership structure, which in turn intensify governance efforts and lead to improvements in firm performance. In the A-share market, where ownership is already concentrated, the entry of large new blockholders or institutional investors increases monitoring and drives governance reforms, leading to more substantial gains in long-term firm value and operating efficiency.

5.4. Corporate Governance and Post-Partial Acquisition Performance

To better understand the mechanisms through which partial acquisitions affect firm outcomes, we next examine how post-deal governance changes relate to performance improvements. Partial acquisitions typically do not result in full control transfer, but they often introduce new large blockholders or institutional investors who can exert substantial influence on firm governance. These new external investors may pressure management to improve operational efficiency, enhance disclosure, or reduce opportunistic behaviors. Moreover, governance changes such as increased ownership concentration, shifts in institutional holdings, or reductions in related-party transactions can serve as key channels through which external monitoring is strengthened. Investigating the relationship between post-acquisition changes in governance and subsequent firm performance provides insights into how external investors contribute to value creation and whether improvements in governance mechanisms translate into measurable performance gains for target firms.

Panel A of Table 16 examines the relationship between changes in governance characteristics and the market performance of target firms following partial acquisitions. In columns (1)-(3), we examine the effects of increase in ownership concentration and institutional shareholding on BHARs over the one-, two-, and three-year periods after the announcement of partial acquisition. *Top5 Ownership Increase* is a dummy variable that equals one if the proportion of shares held by the top five shareholders rises in the year after the acquisition completion relative to the year prior to the deal announcement. *Inst. Holding Increase* is defined similarly, capturing an increase in the proportion of institutional shareholdings. The results show that an increase in institutional ownership is associated with significantly higher BHAR over all time horizons, while changes in top shareholder concentration do not show a significant effect on long-term market performance. In columns (4)-(6), we further include changes in related-party payment outflows and accruals as additional governance-related variables. *RPT Payment Decrease* indicates a decrease in the total amount of financial related-party transactions paid out after the acquisition. *Accruals Decrease* reflects an decrease in discretionary accruals, serving as a proxy for earnings management. The results show that, even after accounting for these additional governance changes, institutional

ownership increase remains positively and significantly related to post-acquisition BHAR, whereas reductions in related-party payments and accruals do not have a significant effect on market performance in the long run.

Panel B examines how post-acquisition governance changes affect operating performance of targets following partial acquisitions. As shown in columns (1)-(3), deals with increase in institutional shareholding are significantly have with higher ROA across all three years after the deal completion. After including reduction in related-party transaction payments and discretionary accruals, columns (4)-(6) further show that institutional ownership increase continue to have a significant positive impact on post-acquisition ROA, highlighting the importance of institutional monitoring in driving sustainable improvements in target firm operations. In addition, deals with reductions in discretionary accruals are significantly associated with better ROA performance across all three years, indicating that improved financial reporting quality may play a role in post-acquisition operational improvements. These findings underscore the importance of strengthened monitoring, improved earnings quality, and substantial ownership changes in driving long-term efficiency gains after partial acquisitions.

The findings in Table 16 suggest that post-acquisition improvements in both market and operating performance are more pronounced when partial acquisitions lead to increased institutional ownership and greater shareholding by new external investors. While decrease in discretionary accruals after the partial acquisition enhances the credibility and quality of reported earnings, directly boosting operating efficiency and profitability. However, such improvements may not be immediately recognized or fully priced by investors in the stock market, due to limited investor sensitivity to earnings quality in A-share market. Overall, these results demonstrate that partial acquisitions which bring about meaningful changes in ownership structure and governance practices can drive sustained improvements in firm performance.

6. Conclusion

This paper provides a systematic analysis of how M&As as an external governance tool impact the value of Chinese firms. We focus on whether and how stock-based acquisitions via private placements affect the market and accounting performance of Mainland Chinese firms. We find that the market responds more positively to private placement acquisitions, and acquirers exhibit better long-term market and operating performance after the acquisition. Private placements with negotiated pricing have a short-term negative impact on the acquirer's

profitability, but this effect dissipates in the long term as resources are integrated and synergies materialize. The corporate governance prior to the acquisition affects the post-acquisition synergies: firms with excessively high ownership concentration or high management ownership demonstrate poorer post-acquisition performance. Additionally, we examine how acquisitions affect firm value through changes in internal governance structures. The results reveal that external leadership succession is a key factor in the improved operating performance of acquirers following private placement acquisitions.

Different from stock acquisitions in the U.S., stock acquisitions in China are primarily carried out through private placements, which are subject to strict regulatory and approval processes in Mainland China. This process is time-consuming, costly, and fraught with uncertainty. When acquirers choose to use private placements as consideration for an acquisition, it indicates that the target firm has higher value and growth potential, and the benefits from resource integration outweigh the costs of the private placement itself. Moreover, private placement stocks are subject to a lengthy lock-up period, ensuring that the interests of shareholders and the company remain aligned for a certain period, making it more likely that business decisions will focus on the long-term growth of the firm's value. We argue that the stringent regulatory environment surrounding private placements in China sends a high-quality signal about the acquisition and boosts investor confidence in the market.

We also examine the effects of partial acquisitions on the target firm's performance. A-share listed firms show improved operating performance after being partially acquired. Larger firms tend to perform better post-acquisition. Additionally, the greater the percentage of shares acquired, the better the post-acquisition operating performance. We also analyze how partial acquisitions affect the corporate governance structure, thereby leading to the improvement of operating performance. The results reveal that an increase in ownership concentration is a key factor in the partial acquisition. This suggests that partial acquisitions alleviate agency problems between management and controlling shareholders, and by strengthening ownership concentration, partial acquisitions enhance the long-term value of the firm.

Our study provides a comprehensive analysis of how mergers and acquisitions as an external governance tool impact the value of Chinese firms. By examining stock acquisitions, partial acquisitions, and comparing the post-acquisition performance of A-share listed firms with that of Hong Kong-listed Chinese firms, we offer a thorough depiction of market reactions to these acquisitions and their effects on firm value in the long term. This provides empirical evidence for using mergers and acquisitions to enhance corporate governance structures, thereby improving the long-term value of firms.

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Appendix A. Variable Definitions and Data Sources

Variable	Description	Sources
M&A Performance		
Private Placement Acquisition	An indicator variable that equals one if the M&A deal is a stock acquisition via private placement.	CSMAR
SOE	An indicator variable that equals one if the firm is ultimately controlled by the central State-owned Assets Supervision and Administration Commission of the State Council (SASAC), Ministry of Finance, local SASACs, or other government agents.	CSMAR/WIND
Market-to-Book	The acquirer's market-to-book ratio in the year prior to the acquisition announcement.	CSMAR/WIND
Accruals	The ratio of total accruals to sale, where total accruals is defined as net income - operating cash flow.	CSMAR/WIND
Acquirer Cash	The ratio of cash and cash equivalents to total assets.	CSMAR/WIND
NOA	Net operating assets are calculated as operating assets minus operating liabilities, where operating assets are defined as (total assets - cash and cash equivalents - short term financial investments), and operating liabilities are defined as (total liabilities - short term borrowings - long term borrowings - long term payables - bonds payable)	CSMAR/WIND
PreAnnReturns	The acquirer's buy-and-hold return from day -220 to day -21 before the acquisition announcement.	CSMAR/WIND
Leverage	The ratio of total liabilities to total assets.	CSMAR/WIND
Relative_Size	The transaction value divided by the acquirer's total assets at the end of fiscal year prior to the acquisition announcement.	CSMAR
Related_Deal	An indicator variable that equals one if the acquisition transaction involves related party transactions.	CSMAR
Serial_3yr	An indicator variable that equals one if the acquirer has announced at least one acquisition transaction in the three years prior to this acquisition transaction.	CSMAR
Perf_Commit	An indicator variable that equals one if the acquisition transaction includes performance commitment.	CSMAR
Negotiated_Pricing	An indicator variable that equals one if the transaction is a private placement acquisition and the issuance price is determined through negotiated pricing.	CSMAR
Top5	The sum of the ownership percentages of the top five largest shareholders.	CSMAR
MngtHold	The ratio of the number of shares held by directors, supervisors, and senior executives to the total number of shares.	CSMAR
% Shares Acquired	The sum of the ratios of shares partially acquired to the total shares for the target firm in year t.	WIND
ROA	The ratio of EBIT to total assets.	CSMAR/WIND
ROE	The ratio of net income to total equity.	CSMAR/WIND

Figure 1. Number of Acquisition Deals in the A-Share and Hong Kong Stock Markets

This figure plots the number of M&A deals announced publicly for the first time by A-share listed firms, H-share listed Chinese firms, and other H-share firms from 2002 to 2022.

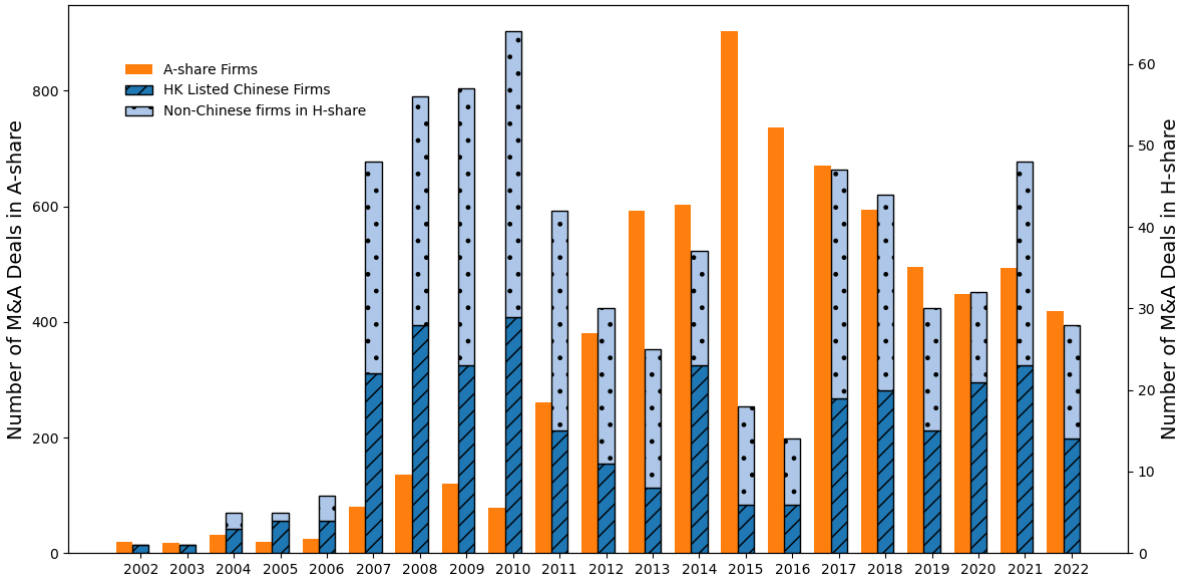


Figure 2. Stock Acquisitions via Private Placement and Non-Private Placement in the A-Share Market

This figure plots the number and value of mergers and acquisitions conducted through private placements and non-private placements in the A-share market from 2002 to 2022.

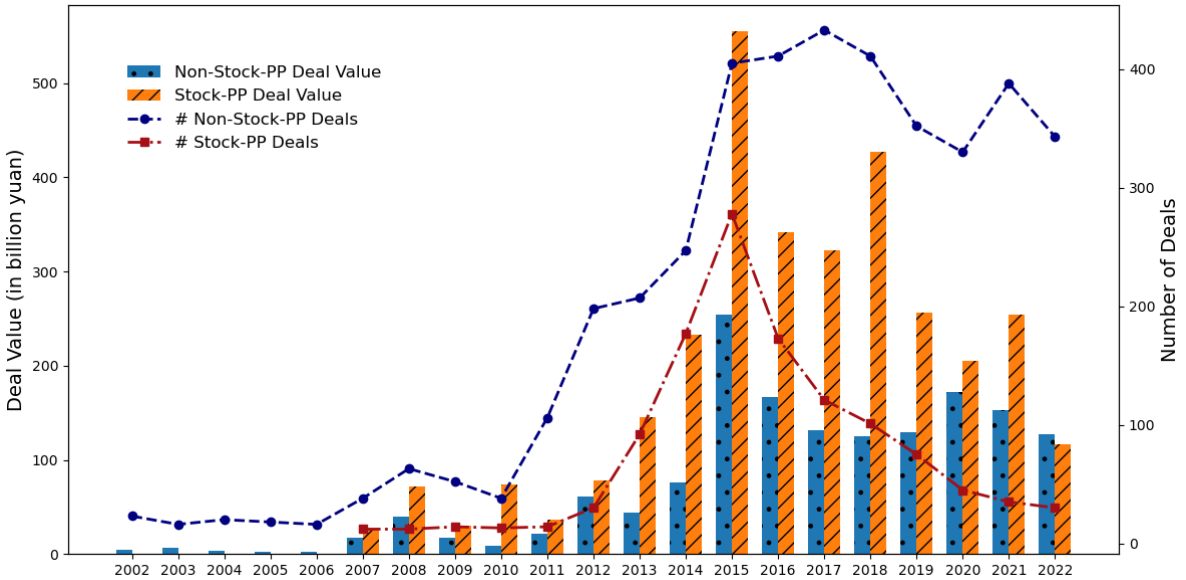


Figure 3. Partial Acquisitions in the A-Share Market

This figure plots the number of partial acquisition deals (left axis, bar chart) and the aggregate total assets of the A-share target firms involved in these deals (right axis, line chart, in trillion RMB) from 2001 to 2022.

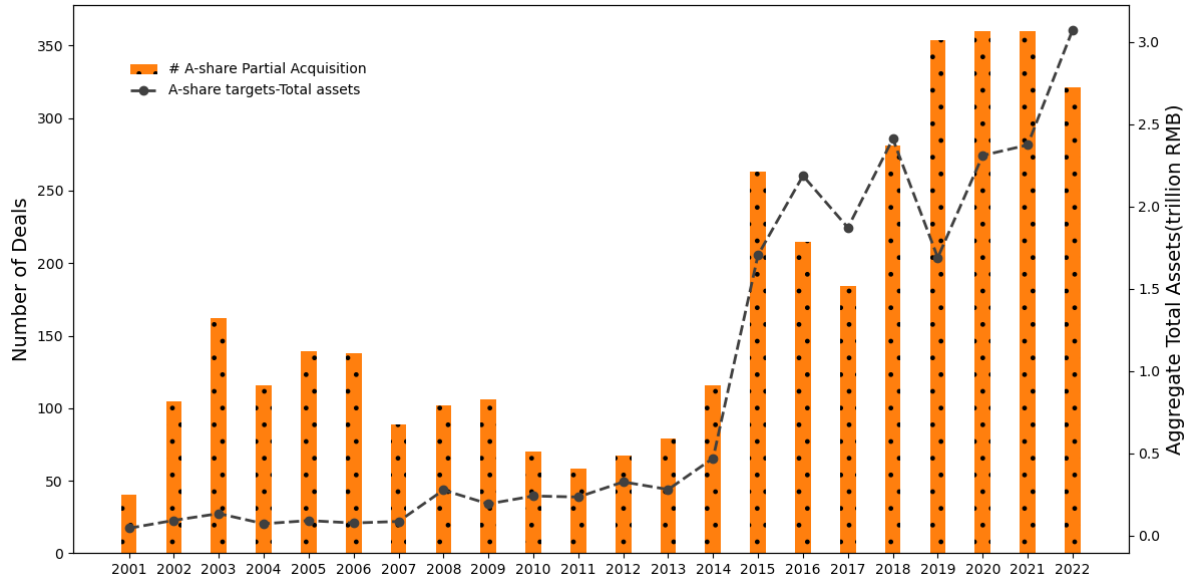


Figure 4. Post-Acquisition Buy-and-Hold Abnormal Returns over 36 Months

This figure plots the buy-and-hold abnormal returns (BHAR) over 36 months following the acquisition announcement for five groups of acquirers: (1) A-share listed acquirers; (2) A-share listed acquirers using private placements as payment (including both only-equity and mixed-payment methods); (3) A-share listed acquirers that finance the acquisition via private placement but ultimately pay in cash (cash payment via PP); (4) A-share listed acquirers that do not use private placements; (4) Hong Kong-listed acquirers; and (5) Hong Kong-listed Chinese acquirers.

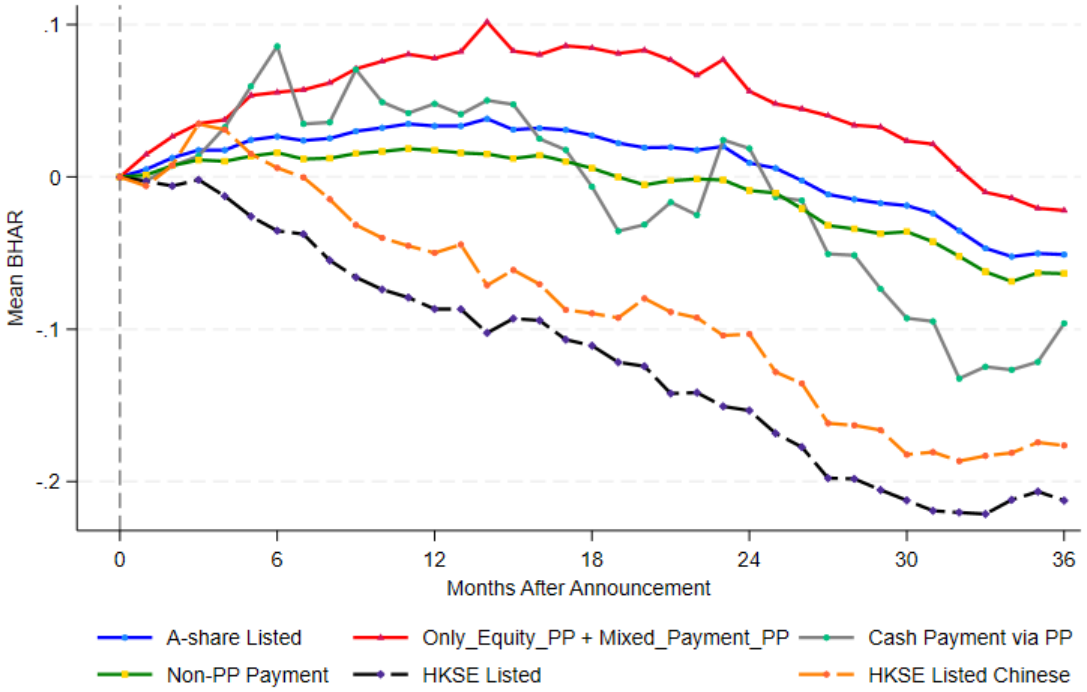


Table 1
Summary Statistics

Panel A presents the post-acquisition market performance, operating performance, firm characteristics, and M&A deal characteristics for acquiring firms listed on the A-share market from 2002 to 2022. Panel B reports the post-acquisition market performance, operating performance, and firm characteristics for target firms listed on the A-share market in partial acquisitions between 2001 and 2022. Post-acquisition market performance is measured by cumulative abnormal returns (CAR) during the announcement window and long-term buy-and-hold abnormal returns (BHAR) following the acquisition announcement. Operating performance is measured by the average ROA and ROE over the one- to three-year period after acquisition completion. Firm characteristics are measured at the fiscal year-end prior to the deal announcement. See the appendix for detailed variable definitions.

Panel A. Acquisitions by Listed Firms

Variable	Obs.	Mean	SD	P25	Median	P75
AnnReturn_3d	4,656	0.027	0.098	-0.025	0.009	0.070
AnnReturn_1d	4,656	0.015	0.056	-0.014	0.007	0.053
BHAR_1yr	4,079	0.115	0.555	-0.226	-0.015	0.286
BHAR_2yr	4,079	0.144	0.791	-0.339	-0.063	0.366
BHAR_3yr	4,079	0.105	0.918	-0.438	-0.122	0.341
ROA_1yr	4,058	0.029	0.073	0.014	0.036	0.063
ROA_2yr	4,058	0.022	0.075	0.009	0.032	0.058
ROA_3yr	4,058	0.016	0.075	0.000	0.028	0.055
ROE_1yr	4,048	0.042	0.169	0.029	0.068	0.111
ROE_2yr	4,052	0.022	0.201	0.020	0.062	0.104
ROE_3yr	4,052	-0.006	0.286	-0.000	0.055	0.098
Market-to-Book	4,079	0.026	0.023	0.012	0.019	0.032
Accruals	4,079	-0.003	0.204	-0.074	-0.009	0.061
Acquirer Cash	4,079	0.172	0.132	0.078	0.133	0.231
NOA	4,079	21.203	1.216	20.368	21.087	21.927
PreAnnReturns	4,079	0.108	0.510	-0.189	-0.008	0.259
Leverage	4,079	0.394	0.196	0.236	0.382	0.539
SOE	4,079	0.274	0.446	0.000	0.000	1.000
Relative_Size	4,079	0.289	0.730	0.018	0.067	0.233
Related_Deal	4,079	0.415	0.493	0.000	0.000	1.000
Serial_3yr	4,079	0.418	0.493	0.000	0.000	1.000
Perf_Commit	4,079	0.421	0.494	0.000	0.000	1.000
Ln (Turnover)	4,079	6.284	0.848	5.737	6.314	6.863
Private Placement Acquisition	4,079	0.271	0.445	0.000	0.000	1.000

Panel B. Listed Firms as Partial Acquisition Targets

Variable	Obs.	Mean	SD	P25	Median	P75
BHAR_1yr	3,394	0.092	0.609	-0.238	-0.045	0.245
BHAR_2yr	3,394	0.087	0.825	-0.362	-0.097	0.300
BHAR_3yr	3,394	0.084	1.040	-0.460	-0.143	0.323
ROA_1yr	3,345	-0.001	0.130	0.003	0.022	0.050
ROA_2yr	3,347	-0.003	0.116	-0.015	0.021	0.048
ROA_3yr	3,347	-0.006	0.115	-0.021	0.019	0.046
ROE_1yr	3,257	-0.038	0.459	0.008	0.048	0.099
ROE_2yr	3,282	-0.073	0.578	-0.022	0.045	0.096
ROE_3yr	3,294	-0.091	0.602	-0.041	0.041	0.092
Market-to-Book	3,394	3.024	4.849	1.056	1.817	3.213
Accruals	3,394	-0.145	0.710	-0.146	-0.037	0.039
Acquirer Cash	3,394	0.138	0.114	0.058	0.107	0.187
NOA	3,394	20.971	1.314	20.140	20.903	21.772
PreAnnReturns	3,394	0.026	0.443	-0.229	-0.052	0.171
Leverage	3,394	0.476	0.236	0.302	0.471	0.623
Large	3,394	0.223	0.416	0.000	0.000	0.000
% Shares Acquired	3,394	0.180	0.149	0.064	0.125	0.250

Table 2
Stock Market Performance: A-Share vs. HK-Share Acquirers

This table reports the ordinary least squares (OLS) regression results for the abnormal announcement period returns and BHARs (buy-and-hold abnormal returns) of A-share listed firms compared to Hong Kong-listed firms after acquisition. In Panel A, the dependent variables are the one-day and three-day cumulative abnormal returns of the acquiring firms. In Panel B, the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Abnormal Announcement Returns

	(1)	(2)	(3)	(4)
	AnnReturn_1d	AnnReturn_3d	AnnReturn_1d	AnnReturn_3d
A_Share Listed	0.005*	0.010**	0.009**	0.017***
	(1.878)	(2.070)	(2.667)	(2.884)
HK_Listed_Chinese			0.009**	0.019**
			(2.674)	(2.540)
Market-to-Book	-0.001	-0.001	-0.001	-0.001
	(-0.157)	(-0.549)	(-0.339)	(-0.740)
Accruals	0.002	0.000	0.002	0.001
	(0.774)	(0.072)	(0.811)	(0.109)
Acquirer Cash	-0.002	-0.005	-0.003	-0.006
	(-0.251)	(-0.385)	(-0.299)	(-0.460)
NOA	-0.001***	-0.003***	-0.001***	-0.003***
	(-2.770)	(-2.861)	(-3.063)	(-3.282)
PreAnnReturn	-0.007***	-0.018***	-0.007***	-0.018***
	(-4.708)	(-7.294)	(-4.716)	(-7.268)
Leverage	0.012***	0.029***	0.012***	0.028***
	(3.136)	(4.566)	(3.071)	(4.484)
Relative_Size	0.015***	0.033***	0.015***	0.033***
	(10.462)	(9.210)	(10.631)	(9.318)
Related Deal	0.002	0.007***	0.002	0.007***
	(1.476)	(2.893)	(1.490)	(2.898)
Serial_3yr	-0.001	-0.004*	-0.001	-0.004*
	(-0.569)	(-1.750)	(-0.545)	(-1.723)
Merger Type FE	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes
N	5,179	5,179	5,179	5,179
Adj. R^2	0.094	0.129	0.094	0.130

Panel B. BHARs

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) BHAR 1yr	(5) BHAR 2yr	(6) BHAR 3yr
A_Share Listed	0.090**	0.146**	0.298***	0.145**	0.203**	0.351***
	(2.156)	(2.209)	(3.038)	(2.397)	(2.436)	(2.806)
HK_Listed_Chinese				0.138*	0.148	0.140
				(1.817)	(1.447)	(1.350)
Market-to-Book	-0.009	-0.005	0.016	-0.010	-0.006	0.014
	(-1.021)	(-0.355)	(0.699)	(-1.148)	(-0.473)	(0.671)
Accruals	0.043	0.082*	0.104**	0.043	0.082*	0.104**
	(1.448)	(1.792)	(2.371)	(1.455)	(1.806)	(2.396)
Acquirer Cash	0.100	0.097	0.233	0.088	0.085	0.222
	(1.503)	(0.764)	(1.585)	(1.385)	(0.695)	(1.538)
NOA	-0.006	-0.008	0.011	-0.009	-0.011	0.008
	(-0.824)	(-0.583)	(0.896)	(-1.155)	(-0.776)	(0.639)
PreAnnReturn	-0.039*	-0.127***	-0.154***	-0.041**	-0.129***	-0.156***
	(-1.966)	(-4.952)	(-5.873)	(-2.041)	(-5.012)	(-5.897)
Leverage	0.124***	0.049	-0.032	0.118***	0.043	-0.038
	(2.980)	(0.692)	(-0.406)	(2.936)	(0.630)	(-0.484)
SOE	-0.066***	-0.116***	-0.141***	-0.060***	-0.110***	-0.136***
	(-3.562)	(-4.132)	(-4.533)	(-3.062)	(-3.847)	(-4.309)
Relative_Size	0.085***	0.064***	0.056**	0.086***	0.066***	0.058**
	(4.402)	(2.850)	(2.320)	(4.581)	(2.938)	(2.382)
Related Deal	0.047**	0.054**	0.046	0.047**	0.053**	0.045
	(2.374)	(2.232)	(1.545)	(2.322)	(2.195)	(1.502)
Serial_3yr	-0.020	-0.041*	-0.079***	-0.018	-0.039*	-0.077***
	(-1.078)	(-1.889)	(-2.948)	(-0.994)	(-1.790)	(-2.883)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,321	4,372	4,302	4,321	4,372	4,302
Adj. R^2	0.116	0.153	0.134	0.117	0.153	0.134

Table 3
Operating Performance: A Share vs. HK-Share Acquirers

This table reports the ordinary least squares (OLS) regression results for the three-year post-acquisition operating performance of A-share listed firms compared to Hong Kong-listed firms. The dependent variable is the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the firm is registered in mainland China and listed in Hong Kong. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA 1yr	ROA 2yr	ROA 3yr	ROA 1yr	ROA 2yr	ROA 3yr
A_Share Listed	0.019**	0.023***	0.023***	0.032**	0.032***	0.030***
	(2.169)	(3.284)	(3.346)	(2.415)	(2.789)	(2.854)
HK_Listed_Chinese				0.032**	0.022	0.017
				(2.091)	(1.328)	(1.223)
Market-to-Book	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(-0.360)	(-0.442)	(-0.329)	(-0.451)	(-0.509)	(-0.393)
Accruals	-0.031**	-0.031***	-0.027***	-0.030**	-0.031***	-0.026***
	(-2.630)	(-2.958)	(-2.781)	(-2.652)	(-3.005)	(-2.783)
Acquirer Cash	0.055***	0.066***	0.064***	0.053***	0.065***	0.064***
	(3.323)	(3.681)	(3.577)	(3.306)	(3.718)	(3.621)
NOA	0.007***	0.007***	0.007***	0.007***	0.006***	0.007***
	(4.834)	(5.413)	(5.328)	(4.626)	(5.020)	(4.945)
PreAnnReturn	0.006*	0.005	0.001	0.006*	0.005	0.001
	(1.942)	(1.579)	(0.214)	(1.867)	(1.522)	(0.166)
Leverage	-0.020**	-0.007	-0.013	-0.022***	-0.009	-0.014
	(-2.728)	(-0.815)	(-1.403)	(-3.141)	(-1.048)	(-1.620)
SOE	0.004	0.009***	0.014***	0.005*	0.010***	0.015***
	(1.383)	(2.780)	(4.400)	(1.868)	(2.953)	(4.388)
Relative_Size	0.004	0.001	-0.005	0.004	0.001	-0.005
	(1.255)	(0.329)	(-1.560)	(1.389)	(0.405)	(-1.519)
Related Deal	0.004*	0.000	0.003	0.004*	0.000	0.003
	(1.776)	(0.175)	(1.291)	(1.750)	(0.117)	(1.245)
Serial_3yr	-0.003	-0.006**	-0.006*	-0.003	-0.006**	-0.006*
	(-1.196)	(-2.391)	(-1.858)	(-1.040)	(-2.294)	(-1.799)
Pre_ROA	0.447***	0.512***	0.511***	0.436***	0.502***	0.504***
	(10.683)	(11.195)	(11.864)	(10.869)	(11.441)	(12.352)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,501	4,502	4,502	4,501	4,502	4,502
Adj. R^2	0.170	0.206	0.217	0.173	0.207	0.218

Table 4
Stock Market Performance of Private Placement Acquisitions

This table reports the ordinary least squares (OLS) regression results on the market performance of stock-payment acquisitions via private placements by A-share listed acquirers. Panel A examines the effects of different payment structures on post-acquisition market performance. The dependent variables in columns (1) and (2) are the cumulative abnormal returns over the one-day and three-day announcement periods, and columns (3) - (5) report 12-, 24-, and 36-month BHARs of acquirers after the acquisition announcement. *Only_Equity_PP* is an indicator variable that takes the value of one if the acquisition is paid exclusively by issuing shares through a private placement to target shareholders, and zero otherwise. *Mixed_Payment_PP* is an indicator variable that takes the value of one if the acquisition is paid for with a combination of private placement of equity and other sources, such as cash or asset swaps, and zero otherwise. *Cash_Payment_via_PP* is an indicator variable that takes the value of one if the acquisition is ultimately paid in cash raised via private placement of equity, and zero otherwise. Panel B examines the effects of lock-up periods on post-acquisition market performance in private placement acquisitions. *Lock_up_12m* is a dummy variable that equals one if the private placement includes a 12-month lock-up period (including deals with only a 12-month lock-up or with both 12- and 36-month lock-ups), and zero if the deal involves only a 36-month lock-up. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Market Performance

	(1)	(2)	(3)	(4)	(5)
	AnnReturn_1d	AnnReturn_3d	BHAR 1yr	BHAR 2yr	BHAR 3yr
Only_Equity_PP	0.019***	0.041***	0.107***	0.141***	0.197***
	(6.396)	(8.751)	(3.253)	(2.707)	(4.725)
Mixed_Payment_PP	0.014***	0.030***	0.032	0.065	0.029
	(4.696)	(5.485)	(0.639)	(1.232)	(0.715)
Cash_Payment_via_PP	0.008	0.008	-0.028	-0.002	-0.067
	(1.546)	(0.824)	(-0.628)	(-0.054)	(-1.152)
Market-to-Book	-0.223***	-0.405***	-2.722***	-3.990***	-4.540***
	(-3.769)	(-5.328)	(-4.594)	(-5.162)	(-7.030)
Accruals	-0.000	-0.005	0.007	0.062	0.040
	(-0.013)	(-0.503)	(0.173)	(1.158)	(0.582)
Acquirer Cash	-0.014	-0.028*	-0.058	-0.161	-0.106
	(-1.416)	(-1.894)	(-0.617)	(-1.196)	(-0.753)
NOA	-0.005***	-0.009***	-0.050***	-0.083***	-0.079***
	(-5.546)	(-6.371)	(-3.601)	(-3.577)	(-3.966)
PreAnnReturn	-0.007***	-0.019***	-0.045**	-0.137***	-0.166***
	(-5.353)	(-7.651)	(-2.070)	(-6.205)	(-7.782)
Leverage	0.018***	0.043***	0.204***	0.186*	0.044
	(2.852)	(3.991)	(3.270)	(2.001)	(0.442)
SOE	0.003*	0.002	-0.041*	-0.082**	-0.099**
	(1.687)	(0.414)	(-1.779)	(-2.377)	(-2.577)
Relative_Size	0.010***	0.023***	0.089***	0.070**	0.058*
	(5.336)	(6.170)	(2.705)	(2.639)	(1.856)
Related Deal	-0.002	-0.002	0.015	0.014	-0.002
	(-1.275)	(-0.578)	(0.713)	(0.470)	(-0.074)
Serial_3yr	0.001	-0.003	-0.022	-0.048**	-0.080**
	(0.320)	(-0.796)	(-1.541)	(-2.462)	(-2.511)
Perf_Commit	0.003	0.002	-0.010	-0.030	-0.027
	(1.582)	(0.476)	(-0.478)	(-0.892)	(-0.771)
Merger Type FE	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes
N	4,579	4,579	3,794	3,859	3,805
Adj. R^2	0.112	0.159	0.144	0.175	0.150

Panel B. Lock-up Period and Post-Acquisition Market Performance

	(1) AnnReturn_1d	(2) AnnReturn_3d	(3) BHAR 1yr	(4) BHAR 2yr	(5) BHAR 3yr
Lock_up_12m	0.004	0.001	-0.067*	-0.132**	-0.138***
	(0.548)	(0.041)	(-1.793)	(-2.615)	(-2.922)
Firm and Deal Controls	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes
N	1,114	1,114	1,027	1,051	1,063
Adj. R^2	0.125	0.172	0.228	0.247	0.151

Table 5
Operating Performance of Private Placement Acquisitions

This table reports the ordinary least squares (OLS) regression results on the operating performance of stock-payment acquisitions via private placements by A-share listed acquirers. Panel A examines the effects of different payment structures on post-acquisition operating performance. The dependent variables are the average ROA (columns (1)-(3)) and average ROE (columns (4)-(5)) of acquiring firms over the first, first two, and first three years after the acquisition completion. *Only_Equity_PP* is an indicator variable that takes the value of one if the acquisition is paid exclusively by issuing shares through a private placement to target shareholders, and zero otherwise. *Mixed_Payment_PP* is an indicator variable that takes the value of one if the acquisition is paid for with a combination of private placement of equity and other sources, such as cash or asset swaps, and zero otherwise. *Cash_Payment_via_PP* is an indicator variable that takes the value of one if the acquisition is ultimately paid in cash raised via private placement of equity, and zero otherwise. Panel B examines the effects of lock-up periods on post-acquisition operating performance in private placement acquisitions. *Lock_up_12m* is a dummy variable that equals one if the private placement includes a 12-month lock-up period (including deals with only a 12-month lock-up or with both 12- and 36-month lock-ups), and zero if the deal involves only a 36-month lock-up. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Operating Performance

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
Only_Equity_PP	0.012***	0.016***	0.020***	0.025***	0.040***	0.063***
	(3.945)	(4.223)	(5.199)	(3.312)	(3.545)	(4.142)
Mixed_Payment_PP	0.003	0.001	-0.002	0.005	0.006	0.011
	(0.661)	(0.298)	(-0.472)	(0.629)	(0.721)	(0.677)
Cash_Payment_via_PP	0.004	0.007	0.005	0.010	0.018	0.023
	(0.755)	(1.058)	(0.608)	(0.845)	(1.109)	(0.842)
Market-to-Book	0.070	0.066	0.015	0.076	0.081	-0.043
	(1.017)	(0.937)	(0.193)	(0.430)	(0.411)	(-0.142)
Accruals	-0.041***	-0.039***	-0.038***	-0.078***	-0.100***	-0.126***
	(-5.370)	(-4.920)	(-4.888)	(-3.897)	(-3.991)	(-3.245)
Acquirer Cash	0.022**	0.029**	0.027*	0.084***	0.122***	0.166***
	(2.159)	(2.243)	(1.954)	(3.254)	(3.290)	(3.279)
NOA	0.002*	0.001	0.002	0.008***	0.006**	0.010**
	(2.001)	(1.187)	(1.432)	(3.245)	(2.086)	(2.283)
PreAnnReturn	0.004	0.003	-0.000	0.004	-0.003	-0.021
	(1.578)	(1.005)	(-0.010)	(0.760)	(-0.408)	(-1.450)
Leverage	-0.025***	-0.018*	-0.023*	-0.048***	-0.050	-0.086*
	(-3.251)	(-1.903)	(-1.881)	(-2.772)	(-1.549)	(-1.825)
SOE	0.007**	0.013***	0.019***	0.018**	0.037***	0.060***
	(2.360)	(4.155)	(5.229)	(2.632)	(5.359)	(5.288)
Relative_Size	0.004*	0.000	-0.004	0.008	0.002	-0.019*
	(1.843)	(0.211)	(-1.344)	(1.634)	(0.349)	(-1.695)
Related Deal	0.001	-0.003	0.000	-0.000	-0.013**	-0.006
	(0.423)	(-0.902)	(0.113)	(-0.009)	(-2.141)	(-0.819)
Serial_3yr	-0.006**	-0.010***	-0.009***	-0.011*	-0.021***	-0.026***
	(-2.382)	(-4.816)	(-3.910)	(-1.948)	(-3.855)	(-3.076)
Perf_Commit	-0.004	-0.008***	-0.011***	-0.011*	-0.026***	-0.031***
	(-1.428)	(-3.704)	(-5.203)	(-1.837)	(-4.267)	(-3.197)
Pre_ROA	0.425***	0.475***	0.518***			
	(17.010)	(16.466)	(13.057)			
Pre_ROE				0.385***	0.449***	0.506***
				(9.662)	(8.012)	(5.812)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,985	3,985	3,985	3,973	3,977	3,979
Adj. R^2	0.142	0.168	0.197	0.101	0.113	0.103

Panel B. Lock-up Period and Post-Acquisition Operating Performance

	(1) ROA_1yr	(2) ROA_2yr	(3) ROA_3yr	(4) ROE_1yr	(5) ROE_2yr	(6) ROE_3yr
Lock_up_12m	-0.001	-0.014**	-0.017***	0.003	-0.030**	-0.040*
	(-0.280)	(-2.619)	(-3.091)	(0.259)	(-2.213)	(-1.830)
Firm and Deal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1,110	1,110	1,110	1,107	1,107	1,108
Adj. R^2	0.119	0.135	0.182	0.094	0.106	0.098

Table 6
Determinants of Acquisition Payment Method

This table examines firm-level determinants of the choice to use stock-financed acquisitions via private placements, and compares differences in debt financing cost, equity financing cost, and bond market accessibility across acquirers using different payment methods. Panel A reports mean differences of debt financing cost, equity financing cost, and bond issuance between cash-financed and stock-financed acquirers for the full sample, small- and medium-cap acquirers, and large-cap acquirers. Panel B presents multinomial logit (mlogit) regression results on the determinants of payment method choice, distinguishing among non-acquirers, cash-financed acquirers, and equity-financed acquirers (coded as 0, 1, and 2, respectively, with non-acquirers as the base group). Columns (1)-(2) show determinants for cash-financed acquirers relative to non-acquirers, reporting the estimated log-odds coefficients and odds ratios, respectively. Columns (3)-(4) show determinants for stock-financed acquirers relative to non-acquirers.

Panel A. Mean Differences in Financing Costs

Full Sample

	Cash payment		Stock payment			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
Debt Cost	2419	0.019	990	0.021	0.002**	2.532
Cost of Equity-OJ	1468	0.132	642	0.128	-0.005**	-2.149
Cost of Equity-PEG	1501	0.105	658	0.100	-0.005***	-2.629
Cost of Equity-MPEG	1489	0.125	646	0.119	-0.006**	-1.981
Bond Issuance	2650	0.245	1107	0.306	0.061***	3.874
Bond Issuance 3yr	2650	0.093	1107	0.116	0.023**	2.128

Small- and Medium-Cap Acquirers

	Cash payment		Stock payment			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
Debt Cost	1929	0.019	751	0.021	-0.002***	-2.734
Cost of Equity-OJ	1016	0.133	446	0.125	0.008***	3.301
Cost of Equity-PEG	1038	0.105	458	0.099	0.006***	2.905
Cost of Equity-MPEG	1025	0.124	449	0.113	0.011***	3.984
Bond Issuance	2152	0.153	858	0.228	-0.076***	-4.950
Bond Issuance 3yr	2152	0.045	858	0.061	-0.016*	-1.833

Large-Cap Acquirers

	Cash payment		Stock payment			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
Debt Cost	709	0.020	239	0.020	-0.000	-0.023
Cost of Equity-OJ	580	0.130	196	0.133	-0.003	-0.722
Cost of Equity-PEG	597	0.103	200	0.104	-0.001	-0.244
Cost of Equity-MPEG	594	0.124	197	0.131	-0.008	-1.058
Bond Issuance	745	0.510	249	0.574	-0.064*	-1.758
Bond Issuance 3yr	745	0.232	249	0.305	-0.073**	-2.306

Panel B. Multinomial Logit Results

	Group1 (Cash-payment Acquirers)		**Group2 (Stock-payment Acquirers)**	
	(1)	(2)	(3)	(4)
	Logit Coefficient	Odds Ratio	Logit Coefficient	Odds Ratio
Ind_Tobin's Q	0.123	1.130	0.276**	1.318**
	(1.493)	(1.493)	(2.315)	(2.315)
Large	-0.165**	0.848**	-0.188*	0.829*
	(-2.283)	(-2.283)	(-1.652)	(-1.652)
Bond Issuance	-0.004	0.996	0.200	1.222
	(-0.047)	(-0.047)	(1.520)	(1.520)
Debt Cost	-0.782*	0.457*	-0.776	0.460
	(-1.755)	(-1.755)	(-1.141)	(-1.141)
Cost of Equity	-1.861***	0.156***	-2.645**	0.071**
	(-2.619)	(-2.619)	(-2.230)	(-2.230)
Accruals	1.509**	4.520**	0.127	1.135
	(2.194)	(2.194)	(0.150)	(0.150)
Acquirer Cash	0.221	1.247	-0.256	0.774
	(1.426)	(1.426)	(-1.133)	(-1.133)
ROA	-0.602**	0.547**	0.924**	2.519**
	(-2.056)	(-2.056)	(2.200)	(2.200)
NOA	-0.069**	0.933**	-0.126**	0.881**
	(-1.988)	(-1.988)	(-2.193)	(-2.193)
Leverage	-0.066	0.936	0.093	1.098
	(-0.362)	(-0.362)	(0.332)	(0.332)
SOE	-0.505***	0.603***	-0.102	0.903
	(-7.073)	(-7.073)	(-0.923)	(-0.923)
Top5	0.004*	1.004*	-0.004	0.996
	(1.860)	(1.860)	(-1.450)	(-1.450)
MngtHold	0.001	1.001	0.006***	1.006***
	(0.450)	(0.450)	(2.609)	(2.609)
Constant	-1.648**	0.192**	-1.067	0.344
	(-2.058)	(-2.058)	(-0.825)	(-0.825)
Year FE	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes
N	18,416	18,416	18,416	18,416
Pseudo R^2	0.0577	0.0577	0.0577	0.0577

Table 7

Financing Constraints and Performance of Private Placement Acquisitions

This table reports the ordinary least squares (OLS) regression results examining the effects of financing constraints on the post-acquisition performance of stock-financed deals via private placements. The dependent variables in columns (1)-(3) are 12-, 24-, and 36-month BHARs following the acquisition announcement; columns (4)-(6) report average ROA over 1-3 years after the deal completion. *StockFin_PP* equals one if the acquirer uses shares issued via private placement (Only Equity PP + Mixed-Payment via PP) to pay for the acquisition, and zero otherwise. *High Debt Cost* equals one if the acquirer's interest expense-to-interest-bearing debt ratio in year t-1 is above the A-share cross-sectional median, and zero otherwise. *High Growth Firm* equals one if the acquirer's market-to-book ratio exceeds its industry-year average. *Bond Issuance* equals one if the acquirer has issued at least one corporate bond, enterprise bond, or medium-term note prior to the acquisition. *S+M Cap*. is an indicator for small- and medium-cap firms based on prior-year circulating market capitalization. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. All control variables are the same as those used in Table 4 and 5. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
StockFin_PP×High Debt Cost	0.002	-0.012	0.044	0.015**	0.021***	0.019***
	(0.034)	(-0.160)	(0.613)	(2.190)	(3.071)	(3.161)
High Debt Cost	0.002	-0.013	-0.059**	-0.010***	-0.007**	-0.007*
	(0.102)	(-0.444)	(-2.480)	(-2.867)	(-2.154)	(-1.994)
StockFin_PP×High Growth Firm	-0.035	-0.009	-0.023	0.008	0.013*	0.012*
	(-0.864)	(-0.155)	(-0.331)	(1.141)	(1.901)	(1.721)
High Growth Firm	-0.029	-0.043	-0.101**	-0.001	-0.002	-0.002
	(-1.260)	(-1.276)	(-2.106)	(-0.122)	(-0.406)	(-0.339)
StockFin_PP×Bond Issuance	0.059	-0.020	-0.025	-0.000	0.003	0.003
	(1.089)	(-0.302)	(-0.398)	(-0.041)	(0.461)	(0.555)
Bond Issuance	0.040	0.084**	0.113**	0.010**	0.010***	0.009**
	(1.567)	(2.136)	(2.535)	(2.621)	(2.795)	(2.678)
StockFin_PP×S+M Cap.	0.134**	0.108*	0.066	0.004	-0.001	-0.005
	(2.237)	(1.906)	(1.364)	(0.790)	(-0.186)	(-0.841)
S+M Cap.	-0.049	-0.042	-0.001	-0.009*	-0.006	-0.006
	(-1.361)	(-0.808)	(-0.015)	(-1.790)	(-1.427)	(-1.530)
StockFin_PP	-0.036	0.013	0.054	-0.008	-0.008	-0.003
	(-0.509)	(0.154)	(0.671)	(-1.517)	(-1.162)	(-0.398)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3176	3225	3162	3329	3329	3329
Adj. R^2	0.133	0.169	0.145	0.150	0.185	0.208

Table 8

Acquisition Performance Heterogeneity in the A-Share Market

This table reports OLS regression results examining the variation of acquisition performance across deals by A-share listed acquirers. Panel A compares acquisitions involving related party transactions with those involving non-related party transactions. *A_Share_RPT* is a dummy variable that equals one if the acquisition undertaken by an A-share listed firm is a related-party transaction, and zero otherwise. *A_Share_Non-RPT* is a dummy variable that equals one if the acquisition undertaken by an A-share listed firm is a non-related-party transaction, and zero otherwise. *HK Listed Chinese* is a dummy variable that equals one if the acquisition is undertaken by a company registered in mainland China and listed in Hong Kong. Panel B compares the acquisition performance of deals by A-share listed state-owned enterprises (SOEs), non-SOEs and Hong Kong-listed Chinese companies. *A_Share_SOE* equals one if the acquisition is undertaken by an A-share listed state-owned enterprise. *A_Share_Non-SOE* equals one if the acquisition is undertaken by an A-share listed non-SOEs. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. All control variables are the same as those used in Table 3. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Related Party vs. Non-Related Party Acquisitions

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share_RPT	0.068	0.011	0.155	0.022	0.022*	0.021*
	(0.949)	(0.101)	(1.140)	(1.527)	(1.800)	(1.783)
A_Share_Non-RPT	0.172**	0.264***	0.410***	0.035**	0.036***	0.032***
	(2.676)	(3.038)	(3.268)	(2.677)	(3.012)	(2.953)
HK_Listed_Chinese	0.139*	0.149	0.139	0.032**	0.022	0.017
	(1.842)	(1.447)	(1.347)	(2.125)	(1.350)	(1.244)
Firm and Deal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,321	4,372	4,302	4,501	4,502	4,502
Adj. R^2	0.118	0.155	0.135	0.173	0.207	0.218

Panel B. SOE vs. Non-SOE Acquisitions

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share_SOE	0.093	0.109	0.238*	0.034**	0.039***	0.040***
	(1.566)	(1.321)	(1.930)	(2.596)	(3.197)	(3.605)
A_Share_Non-SOE	0.161**	0.231***	0.383***	0.032**	0.031**	0.027**
	(2.666)	(2.805)	(3.122)	(2.372)	(2.618)	(2.536)
HK_Listed_Chinese	0.147*	0.165	0.162	0.031*	0.020	0.015
	(1.977)	(1.632)	(1.575)	(2.026)	(1.224)	(1.046)
Firm and Deal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,321	4,372	4,302	4,501	4,502	4,502
Adj. R^2	0.118	0.154	0.134	0.173	0.207	0.217

Table 9
Corporate Governance and Post-Acquisitions Performance

This table reports the ordinary least squares (OLS) regression results for analyzing the effects of corporate governance improvement on post-acquisition operating performance of acquirers. *Ownership Concentration Improvement*, *Board Expansion*, *MngtHold Increase*, and *RPT Outflows Increase* are indicator variables that equal one if the value of the respective governance variable in the first year after acquisition completion is higher than its value in the year before completion, and zero otherwise. Ownership concentration refers to the shareholding ratio of the top five shareholders. Board size is the total number of directors. MngtHold is the proportion of shares held by directors, supervisors, and senior executives. RPT Outflows is the total amount of related-party transactions paid out by the firm in a given year, scaled by total assets. *Dual* is a dummy variable that equals one if the CEO also serves as the board chair, and zero otherwise. All control variables are the same as those used in Table 4. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA 1yr	(5) ROA 2yr	(6) ROA 3yr
Ownership Concentra. Improvement	0.041	0.088***	0.080**	0.008***	0.010***	0.008***
	(1.650)	(2.697)	(2.079)	(3.363)	(4.628)	(3.395)
Board Expansion	0.002	-0.000	-0.018	-0.003	-0.006	-0.010***
	(0.062)	(-0.011)	(-0.527)	(-0.810)	(-1.467)	(-2.918)
MngtHold Increase	0.074***	0.084***	0.109**	0.006**	0.003	0.004
	(3.523)	(2.859)	(2.430)	(2.143)	(1.440)	(1.656)
RPT Outflows Increase	0.003	-0.048*	-0.055**	-0.008***	-0.012***	-0.012***
	(0.148)	(-1.860)	(-2.066)	(-3.353)	(-5.068)	(-4.774)
Dual	0.025	0.007	0.027	-0.001	-0.006*	-0.007
	(1.220)	(0.216)	(0.886)	(-0.390)	(-1.880)	(-1.646)
Firm and Deal Controls	Yes	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,179	3,234	3,246	3,359	3,359	3,359
Adj. R^2	0.152	0.171	0.133	0.139	0.169	0.201

Table 10

Corporate Governance and Post-Acquisitions Performance across Payment Methods

This table reports OLS regression results examining the effects of corporate governance characteristics on post-acquisition performance across different payment methods. Panel A reports mean-difference tests comparing governance characteristics between stock-financed and cash-financed acquisitions. Panel B reports regression results for the effect of governance characteristics on the acquisition performance of cash-paid deals. All governance related variables are constructed based on the cross-sectional distribution within each year. *Related Deal* refers to related party acquisitions. *High Inst. Holding* equals one if the institutional ownership is above the median in the same year. *High Ownership Conc.* is defined as the top 5 shareholders' ownership share ranking in the top 30% among all A-share listed firms in the same year. *High MngtHold* indicates that managerial ownership ranks in the top 30% by year. *Small Board* equals one if the board size is in the bottom 30% among all A-share listed firms in the same year.

Panel A. Mean Differences

	Stock payment		Cash Payment			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
Top 5	1,107	52.905	2,650	54.622	-1.717***	-3.320
Mgnthold	1,077	16.950	2,598	16.952	-0.002	-0.002
Board Size	1,107	2.122	2,649	2.108	0.014*	1.957
Dual	1,085	0.290	2,581	0.340	-0.050***	-2.944
Inst Holding	1,087	41.654	2,628	42.369	-0.715	-0.800
l_Inst Holding	1,087	13.378	2,628	14.114	-0.736	-0.984
s_Inst Holding	1,087	9.660	2,628	8.975	0.685	1.250
Related Deal	1,107	0.659	2,650	0.301	0.358***	21.576

Panel B. Corporate Governance and Acquisition Performance of Cash-payment Deals

	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Cash Payment	-0.041	-0.002	-0.001	-0.009	-0.013**	-0.012*
	(-0.591)	(-0.033)	(-0.006)	(-1.542)	(-2.179)	(-1.721)
Related Deal	0.027	0.053	0.077	0.009*	0.001	0.009**
	(0.580)	(1.178)	(1.372)	(1.961)	(0.348)	(2.034)
Cash Payment×Related Deal	-0.011	-0.051	-0.109	-0.011**	-0.005	-0.012**
	(-0.199)	(-0.770)	(-1.278)	(-2.098)	(-1.144)	(-2.061)
High Inst. Holding	-0.058	-0.043	0.013	0.002	0.002	0.001
	(-1.347)	(-0.578)	(0.174)	(0.435)	(0.431)	(0.164)
Cash Payment×High Inst. Holding	0.052	0.039	-0.015	0.009*	0.006	0.009
	(0.956)	(0.489)	(-0.172)	(1.698)	(1.096)	(1.395)
High Ownership Conc.	0.043	0.118***	0.144**	0.003	0.005	0.006
	(1.228)	(2.717)	(2.674)	(0.596)	(0.802)	(1.183)
Cash Payment×High Ownership Conc.	-0.038	-0.092*	-0.097	0.007	0.004	0.002
	(-0.804)	(-1.686)	(-1.346)	(1.347)	(0.704)	(0.382)
High MngtHold	-0.010	-0.009	-0.050	-0.001	-0.005	-0.007
	(-0.206)	(-0.139)	(-0.730)	(-0.176)	(-0.776)	(-0.936)
Cash Payment×High MngtHold	-0.010	0.005	0.088	0.009	0.012*	0.017*
	(-0.219)	(0.074)	(1.119)	(1.244)	(1.745)	(1.771)
Small_Board	0.009	0.075	-0.009	-0.008	-0.006	-0.006
	(0.333)	(1.485)	(-0.163)	(-1.511)	(-1.210)	(-0.952)
Cash Payment×Small_Board	-0.046*	-0.148**	-0.085	-0.000	-0.001	-0.002
	(-1.743)	(-2.608)	(-1.440)	(-0.025)	(-0.198)	(-0.398)
Ind/Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,668	3,728	3,675	3,847	3,847	3,847
Adj. R^2	0.141	0.175	0.151	0.147	0.164	0.192

Table 11
Identification: Completed vs. Withdrawn Acquisitions

This table reports OLS regression results comparing the post-acquisition market performance (BHAR) and operating performance (ROA) between firms that successfully completed an acquisition and those whose announced acquisitions were ultimately withdrawn. *Success Deal* is a dummy variable that equals one if the firm successfully completes the announced acquisition, and zero if the announced acquisition is withdrawn and the firm do not complete any other acquisitions during the three years surrounding the announcement. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Success Deal	0.183***	0.248***	0.238***	0.017***	0.010**	0.004
	(6.543)	(6.350)	(6.147)	(4.139)	(2.397)	(0.818)
Private Placement Acquisition	0.066*	0.098**	0.106***	0.002	0.006***	0.006**
	(1.918)	(2.128)	(3.166)	(0.639)	(2.755)	(2.132)
SOE	-0.047***	-0.031	-0.034	0.022	-0.035	-0.039
	(-2.977)	(-1.541)	(-1.364)	(0.259)	(-0.433)	(-0.400)
Market-to-Book	-2.993***	-3.706***	-3.621***	-0.045***	-0.043***	-0.045***
	(-6.368)	(-5.822)	(-5.851)	(-6.345)	(-4.010)	(-4.324)
Accruals	-0.043	-0.028	-0.016	0.008	0.016	0.012
	(-1.267)	(-0.617)	(-0.267)	(0.514)	(0.867)	(0.638)
Acquirer Cash	-0.155**	-0.310***	-0.303**	-0.000	-0.001	-0.000
	(-2.067)	(-3.068)	(-2.561)	(-0.504)	(-0.892)	(-0.214)
NOA	-0.071***	-0.091***	-0.081***	0.002	0.001	-0.002
	(-4.806)	(-4.113)	(-4.073)	(0.666)	(0.440)	(-0.508)
PreAnnReturn	-0.053***	-0.123***	-0.152***	-0.022**	-0.015	-0.013
	(-2.792)	(-6.401)	(-9.190)	(-2.026)	(-1.445)	(-0.916)
Leverage	0.257***	0.139	0.039	0.010***	0.018***	0.024***
	(4.297)	(1.512)	(0.390)	(2.965)	(4.784)	(5.647)
SOE	-0.050**	-0.048	-0.009	0.001	-0.002	-0.004
	(-2.668)	(-1.484)	(-0.202)	(0.661)	(-0.511)	(-0.894)
Relative_Size	0.079***	0.073**	0.076*	0.002	-0.001	0.001
	(3.037)	(2.302)	(1.975)	(0.656)	(-0.481)	(0.287)
Related Deal	-0.005	-0.019	-0.031	-0.003	-0.009***	-0.012***
	(-0.270)	(-0.865)	(-1.483)	(-0.848)	(-4.209)	(-5.363)
Perf_Commit	-0.018	-0.043	-0.068**	0.407***		
	(-1.012)	(-1.437)	(-2.052)	(15.017)		
Pre_ROA				0.396***	0.495***	0.583***
				(12.236)	(13.831)	(12.093)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,373	3,455	3,422	3,578	3,578	3,578
Adj. R^2	0.171	0.199	0.167	0.118	0.151	0.184

Table 12

Performance Differences: Completed vs. Withdrawn Acquisitions under Exogenous Shocks

This table reports the mean differences in market and operating performance between withdrawn acquisitions and completed acquisitions during two major exogenous shocks in the A-share market. Panel A examines withdrawn and completed deals whose withdrawal or completion was announced during the 2015 A-share stock market crash (June 2015 to June 2016). It compares the BHAR and post-completion ROA and ROE between withdrawn deals and completed deals over the same period. Panel B presents the same comparison for deals withdrawn or completed during the COVID-19 shock (January 2020 to December 2020).

Panel A. 2015 Stock Market Crash (Jun 2015 - Jun 2016)						
	Completed Deals		Withdraw Deals			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
BHAR_12m	634	0.292	104	0.136	0.156**	2.528
BHAR_24m	634	0.174	104	0.002	0.172**	2.352
BHAR_36m	634	-0.014	104	-0.121	0.107	1.533
ROA_1yr	634	0.041	104	0.026	0.016***	2.779
ROE_1yr	633	0.069	104	0.043	0.026**	2.338
ROA_2yr	634	0.027	104	0.011	0.016**	2.002
ROE_2yr	633	0.035	104	0.018	0.018	0.860
ROA_3yr	634	0.009	104	-0.004	0.013	1.385
ROE_3yr	633	-0.026	104	-0.047	0.021	0.579
Panel B. 2020 COVID-19 Shock (Jan 2020 - Dec 2020)						
	Completed Deals		Withdraw Deals			
Variable	Obs.	Mean	Obs.	Mean	Mean-Diff	*t*-statistics
BHAR_12m	372	0.010	55	-0.152	0.161**	1.997
BHAR_24m	372	0.125	55	-0.170	0.295**	2.526
BHAR_36m	372	0.163	55	-0.090	0.253**	2.224
ROA_1yr	372	0.028	55	-0.006	0.035***	2.994
ROE_1yr	372	0.030	55	-0.060	0.090***	2.746
ROA_2yr	372	0.025	55	-0.003	0.028***	2.849
ROE_2yr	372	0.021	55	-0.090	0.111***	3.102
ROA_3yr	372	0.020	55	-0.009	0.029***	2.981
ROE_3yr	372	0.008	55	-0.106	0.114***	3.076

Table 13

2020 Refinancing Regulation and Operating Performance of Private Placement Acquirers

This table reports OLS regression results comparing the post-acquisition operating performance of acquirers financing acquisitions with stock via private placement with that of matched non-acquiring firms before and after the implementation of the 2020 refinancing regulation. The matching procedure applies propensity score matching (PSM) to pair each private placement acquirer with the three nearest-neighbor firms from the same industry and year within a 0.05 caliper, based on comparable firm characteristics. *StockFin_PP* equals one if the acquirer pays for the acquisition using stock via private placement (Only Equity PP + Mixed-Payment via PP), and zero otherwise. *Post_2020* equals one for years in or after 2020, and zero otherwise. The sample period is 2017-2022. The dependent variables are the average ROA and ROE over one-, two-, and three-year horizon. All specifications include year, and industry fixed effects. We control for lagged-one-year firm characteristics. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	ROA_1yr	ROA_2yr	ROA_3yr	ROE_1yr	ROE_2yr	ROE_3yr
StockFin_PP × Post_2020	0.010	0.018**	0.020**	0.034*	0.057**	0.053**
	(1.471)	(2.310)	(2.534)	(1.949)	(2.481)	(2.237)
StockFin_PP	0.000	-0.007	-0.008	0.000	-0.019	-0.015
	(0.081)	(-1.247)	(-1.343)	(0.020)	(-1.181)	(-0.878)
Market-to-Book	0.001	0.001	0.001**	0.003**	0.003*	0.004*
	(1.556)	(1.631)	(2.473)	(2.258)	(1.724)	(1.914)
Accruals	-0.043***	-0.033***	-0.029***	-0.044**	-0.033**	-0.038**
	(-5.050)	(-4.857)	(-4.964)	(-2.396)	(-2.073)	(-2.234)
Acquirer Cash	0.028***	0.020***	0.022***	0.083***	0.089***	0.103***
	(4.098)	(3.201)	(3.238)	(5.077)	(5.653)	(5.236)
NOA	0.002*	0.001	0.002**	0.009***	0.008**	0.012***
	(1.973)	(1.432)	(2.212)	(3.095)	(2.615)	(3.173)
Leverage	-0.035***	-0.029***	-0.031***	-0.108***	-0.140***	-0.186***
	(-4.086)	(-3.279)	(-3.336)	(-5.562)	(-5.306)	(-5.771)
SOE	0.010***	0.014***	0.015***	0.025***	0.041***	0.050***
	(2.929)	(4.719)	(5.017)	(3.453)	(4.772)	(5.179)
Top 5	0.000***	0.000***	0.000**	0.001***	0.001***	0.001**
	(4.646)	(2.778)	(2.202)	(3.939)	(2.993)	(2.581)
Mgnt Holding	0.000***	0.000*	0.000	0.000**	0.000	0.000*
	(3.222)	(1.845)	(1.182)	(2.236)	(1.489)	(1.769)
Dual	-0.002	-0.002	-0.003	0.000	-0.002	-0.009
	(-1.160)	(-0.959)	(-1.244)	(0.072)	(-0.352)	(-1.274)
Age	0.003	0.002	0.002	-0.012*	-0.020**	-0.026**
	(0.813)	(0.547)	(0.423)	(-1.760)	(-2.659)	(-2.611)
Pre_ROA	0.501***	0.591***	0.593***			
	(14.190)	(20.443)	(20.277)			
Pre_ROE				0.344***	0.383***	0.341***
				(9.170)	(9.430)	(6.849)
_cons	-0.061**	-0.046*	-0.058**	-0.190**	-0.145*	-0.205**
	(-2.514)	(-1.983)	(-2.468)	(-2.641)	(-1.831)	(-2.200)
Ind / Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	6490	6490	6490	6448	6471	6473
Adj. R^2	0.244	0.281	0.280	0.141	0.151	0.141

Table 14
Determinants of Partial Acquisitions in the A-Share Market

This table examines the determinants of firms being partially acquired in the A-share market. The dependent variable equals one if the listed firm is successfully partially acquired, and zero otherwise. Columns (1)-(2) compare partially acquired firms with failed partially acquired firms. In these columns, lagged one-year firm characteristics and industry median Tobin's Q are controlled for, and year fixed effects are included. Columns (3)-(6) compare partially acquired firms with firms that are never partially acquired. In these columns, continuous firm characteristics are measured as the average value over the three years preceding the deal announcement. Year and industry fixed effects are included in columns (4) and (6). Numbers in parentheses are t-statistics based on robust standard errors. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	Dep. Var. = 1 if the Listed Firm is Successfully Partially Acquired					
	All Partially Acquired Firms (Success + Failure)			Successfully Partially Acquired Firms + Never Partially Acquired Firms		
	(1)	(2)	(3)	(4)	(5)	(6)
	OLS	Probit	OLS	OLS	Probit	Probit
Ln (Total Assets)	0.014	0.256*	-0.028***	-0.037***	-0.184***	-0.225***
	(1.230)	(1.841)	(-3.014)	(-3.844)	(-4.399)	(-5.120)
MTB	0.000	0.004	0.006***	0.005***	-0.000	-0.001
	(0.400)	(0.473)	(2.799)	(2.702)	(-0.053)	(-0.102)
Accrual	-0.016**	-0.149***	-0.035*	-0.037*	0.017	0.003
	(-2.147)	(-2.623)	(-1.696)	(-1.781)	(0.235)	(0.044)
Net Cash Flow	0.149***	1.672***	-0.044	-0.046	-0.133	-0.152
	(2.965)	(2.957)	(-1.363)	(-1.394)	(-0.842)	(-0.942)
NOA	-0.011	-0.201	-0.015*	-0.008	-0.019	0.015
	(-1.103)	(-1.582)	(-1.778)	(-0.832)	(-0.490)	(0.358)
Leverage	-0.016	-0.274	0.107***	0.102***	0.550***	0.535***
	(-0.541)	(-1.107)	(4.495)	(4.191)	(5.703)	(5.401)
ROA	0.150**	0.937***	-0.911***	-0.891***	-3.183***	-3.125***
	(2.435)	(2.698)	(-12.499)	(-12.022)	(-11.131)	(-10.656)
Board Independence	0.078	0.914	0.047	0.036	0.180	0.159
	(0.818)	(1.182)	(0.680)	(0.521)	(0.615)	(0.535)
Board Size	0.058**	0.522**	-0.006	-0.002	-0.037	-0.016
	(2.188)	(2.422)	(-0.333)	(-0.110)	(-0.479)	(-0.202)
Mgnt Holding	-0.093**	-0.674***	-0.104***	-0.097***	-0.477***	-0.466***
	(-2.466)	(-2.643)	(-6.442)	(-5.957)	(-5.745)	(-5.516)
Top3	0.033	0.307	-0.179***	-0.188***	-0.776***	-0.804***
	(0.908)	(0.961)	(-8.766)	(-8.997)	(-8.357)	(-8.426)
SOE	0.018*	0.134	-0.044***	-0.043***	-0.160***	-0.143***
	(1.813)	(1.406)	(-5.372)	(-4.989)	(-4.961)	(-4.248)
Dual	0.009	0.065	-0.019***	-0.018***	-0.080***	-0.077***
	(0.759)	(0.742)	(-2.937)	(-2.804)	(-2.811)	(-2.690)
List Age	-0.004	-0.077	0.049***	0.048***	0.235***	0.231***
	(-0.492)	(-0.935)	(10.544)	(10.047)	(10.277)	(9.883)
Run up			0.003	0.004	0.022	0.024
			(0.501)	(0.618)	(0.782)	(0.846)
Ind_Tobins'q	-0.004	-0.013	-0.023**		-0.095**	
	(-0.492)	(-0.083)	(-2.466)		(-2.377)	
_cons	0.682***	-1.029	1.140***	1.139***	3.724***	3.398***
	(5.304)	(-0.880)	(14.956)	(14.394)	(10.717)	(9.283)
Ind FE	No	No	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3015	2895	17086	17086	17086	17086
Adj. R^2 (Pseudo R^2)	0.029	0.108	0.099	0.108	0.107	0.118

Table 15
Partial Acquisition Performance and Targeted Shareholding

This table reports the ordinary least squares (OLS) regression results on the post-acquisition market and operating performance of target firms following partial acquisitions, focusing on differences between A-share and Hong Kong-listed companies and the effect of the proportion of shares acquired. Panel A compares post-partial acquisition performance between A-share listed targets and Hong Kong-listed targets. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero if listed on the Hong Kong Stock Exchange. *% Shares Acquired* is the aggregate proportion of shares that a target firm is partially acquired in one year. *Large* is a dummy variable that equals one if the market capitalization of the targeted firm at the end of the fiscal year prior to the block acquisition is in the top 70th, and zero otherwise. Panel B examines the effect of the aggregate proportion of shares acquired on post-acquisition performance across both A-share and Hong Kong-listed targets. Panel C examines the effect of the proportion of shares acquired within the subsample of A-share listed targets. The dependent variables in columns (1) - (3) are the 12-, 24-, and 36-month BHARs after the partial acquisition announcement. The dependent variables in columns (4) - (5) are the average ROA in the first, first two and first three years after the partial acquisition completion. All specifications include the year and industry fixed effects. We control for target firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Post-Acquisition Performance: A-Share vs. Hong Kong-Listed Targets

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR 1yr	BHAR 2yr	BHAR 3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share Listed	0.164***	0.174**	0.221**	0.033**	0.029*	0.029*
	(3.497)	(2.642)	(2.298)	(2.114)	(1.867)	(1.995)
% Shares Acquired	0.193***	0.112	0.188*	0.030*	0.033**	0.025**
	(3.099)	(1.261)	(1.728)	(1.746)	(2.617)	(2.158)
Large	-0.049**	-0.045	-0.071	0.017**	0.012*	0.010*
	(-2.267)	(-1.300)	(-1.362)	(2.386)	(1.882)	(1.918)
Market-to-Book	-0.009***	-0.014***	-0.012***	0.001**	0.000	0.000
	(-3.138)	(-5.139)	(-3.550)	(2.399)	(1.181)	(1.021)
Accruals	0.014	-0.018	-0.057	-0.012	-0.010**	-0.006
	(0.501)	(-0.425)	(-1.019)	(-1.692)	(-2.552)	(-1.569)
Acquirer Cash	-0.166**	0.047	0.109	0.070**	0.070***	0.060**
	(-2.037)	(0.342)	(0.561)	(2.440)	(3.265)	(2.589)
NOA	-0.036***	-0.039***	-0.029*	0.002	0.003	0.004
	(-3.244)	(-2.820)	(-1.756)	(0.847)	(1.196)	(1.517)
PreAnnReturn	-0.060**	-0.130***	-0.149***	0.015***	0.016***	0.014***
	(-2.678)	(-5.387)	(-3.365)	(3.814)	(4.144)	(3.529)
Leverage	0.093**	0.094	0.129	-0.020	-0.010	-0.022
	(2.147)	(1.117)	(1.326)	(-1.628)	(-0.800)	(-1.692)
Pre_ROA				0.231***	0.272***	0.268***
				(4.695)	(6.409)	(6.635)
Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,375	3,401	3,339	3,538	3,541	3,541
Adj. R^2	0.085	0.087	0.074	0.090	0.113	0.112

Panel B. Acquisition Share Proportion on Target Performance

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
A_Share Listed× % Shares Acquired	0.471**	0.999***	1.289***	0.158***	0.134***	0.119**
	(2.099)	(3.268)	(3.918)	(3.707)	(2.951)	(2.347)
A_Share Listed	-0.006	-0.186	-0.242	-0.025	-0.020	-0.014
	(-0.058)	(-1.390)	(-1.468)	(-1.332)	(-1.092)	(-0.872)
% Shares Acquired	-0.200	-0.725**	-0.889***	-0.104**	-0.081*	-0.076
	(-0.918)	(-2.486)	(-2.748)	(-2.689)	(-1.971)	(-1.583)
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Ind and Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,375	3,401	3,339	3,538	3,541	3,541
Adj. R^2	0.086	0.091	0.078	0.094	0.117	0.114

Panel C. Acquisition Share Proportion on Target Performance (A-Share Subsample)

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
% Shares Acquired	0.273***	0.308**	0.417***	0.053***	0.052***	0.043***
	(4.364)	(2.579)	(3.133)	(3.741)	(4.830)	(3.926)
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Ind and Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3,173	3,199	3,137	3,344	3,346	3,346
Adj. R^2	0.094	0.092	0.073	0.097	0.114	0.107

Table 16
Corporate Governance and Post-Partial Acquisition Performance

This table reports the ordinary least squares (OLS) regression results for analyzing the effect of post-partial acquisition changes in ownership structure on the market and operating performance of target firms in A-share market. Panel A reports result for stock market performance, measured by buy-and-hold abnormal returns (BHAR) over 36 months after the acquisition announcement. Panel B reports result for operating performance, measured by average ROA in the first three years after the acquisition completion. *Top5 Ownership Increase* is an indicator variable that takes the value of one if the firm experience an increase in the shareholding proportion of top five shareholders before and after a partial acquisition over a one-year period. *Inst. Holding Increase* is an indicator variable that takes the value of one if the institutional ownership increases in the year following the partial acquisition compared to the year prior, and zero otherwise. *RPT Payment Decrease* is an indicator variable that equals one if the amount of financial related-party transactions paid out by the firm in the first year after the partial acquisition is lower than that in the year prior to the acquisition, and zero otherwise. *Accruals Decrease* is an indicator variable that equals one if the absolute value of discretionary accruals in the first year after the partial acquisition is lower than that in the preceding year, and zero otherwise. *% Shares Acquired* is the aggregate proportion of shares that a target firm is partially acquired in one year. *Large* is a dummy variable that equals one if the market capitalization of the targeted firm at the end of the fiscal year prior to the block acquisition is in the top 70th, and zero otherwise. All specifications include the year and industry fixed effects. We control for target firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: Market Performance (BHAR)

	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) BHAR_1yr	(5) BHAR_2yr	(6) BHAR_3yr
Top5 Ownership Increase	-0.019	-0.024	0.062	-0.051	-0.051	0.009
	(-0.698)	(-0.551)	(1.172)	(-1.614)	(-1.010)	(0.147)
Inst. Holding Increase	0.160***	0.264***	0.227***	0.168***	0.299***	0.248***
	(5.524)	(7.578)	(6.095)	(5.078)	(6.689)	(5.703)
RPT Payment Decrease				-0.004	-0.009	-0.003
				(-0.216)	(-0.263)	(-0.081)
Accruals Decrease				-0.026	-0.038	-0.009
				(-1.437)	(-1.274)	(-0.266)
% Shares Acquired	0.329***	0.381***	0.493***	0.239***	0.214**	0.163
	(4.896)	(3.198)	(3.508)	(3.590)	(2.159)	(1.035)
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Ind and Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	2,686	2,723	2,719	2,088	2,117	2,124
Adj. R^2	0.100	0.106	0.084	0.097	0.113	0.059

Panel B. Operating Performance

	(1) ROA_1yr	(2) ROA_2yr	(3) ROA_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Top5 Ownership Increase	0.009	0.005	0.005	0.008	0.005	0.008*
	(1.548)	(0.944)	(0.988)	(1.621)	(1.361)	(1.963)
Inst. Holding Increase	0.018***	0.018***	0.020***	0.016**	0.019***	0.017***
	(3.856)	(4.937)	(5.150)	(2.681)	(4.744)	(4.393)
RPT Payment Decrease				0.001	0.005	0.006
				(0.283)	(0.950)	(1.459)
Accruals Decrease				0.029***	0.020***	0.017***
				(4.813)	(4.261)	(4.277)
% Shares Acquired	0.042***	0.049***	0.048***	0.037***	0.033***	0.031***
	(3.668)	(5.009)	(4.701)	(3.317)	(2.983)	(2.954)
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	2,860	2,860	2,860	2,204	2,204	2,204
Adj. R^2	0.105	0.125	0.122	0.157	0.168	0.167

Internet Appendix

Table IA.1 Summary Statistics (HKSE Listed Acquirers)

Panel A presents the post-acquisition market performance, operating performance, firm characteristics, and M&A deal characteristics for acquiring firms listed on the HKSE from 2002 to 2022. Panel B reports the post-acquisition market performance, operating performance, and firm characteristics for target firms listed on the HKSE in partial acquisitions between 2001 and 2022. Post-acquisition market performance is measured by cumulative abnormal returns (CAR) during the announcement window and long-term buy-and-hold abnormal returns (BHAR) following the acquisition announcement. Operating performance is measured by the average ROA and ROE over the one- to three-year period after acquisition completion. Firm characteristics are measured at the fiscal year-end prior to the deal announcement. See the appendix for detailed variable definitions.

Panel A. Acquisitions in HKSE

Variable	Obs.	Mean	SD	P25	Median	P75
AnnReturn_3d	538	0.008	0.054	-0.026	0.003	0.034
AnnReturn_1d	538	0.004	0.032	-0.013	0.001	0.016
BHAR_1yr	469	-0.024	0.535	-0.359	-0.113	0.235
BHAR_2yr	469	-0.024	0.705	-0.513	-0.173	0.315
BHAR_3yr	469	-0.047	0.789	-0.619	-0.166	0.340
ROA_1yr	460	0.008	0.137	-0.023	0.044	0.082
ROA_2yr	461	-0.002	0.142	-0.037	0.039	0.078
ROA_3yr	461	-0.004	0.135	-0.046	0.036	0.079
ROE_1yr	464	-0.033	0.308	-0.055	0.059	0.120
ROE_2yr	465	-0.067	0.358	-0.087	0.049	0.116
ROE_3yr	465	-0.085	0.448	-0.097	0.049	0.115
HK Listed Chinese	469	0.416	0.493	0.000	0.000	1.000
Market-to-Book	469	2.733	2.898	0.881	1.649	3.424
Accruals	469	-0.032	0.473	-0.153	-0.026	0.094
Acquirer Cash	469	0.180	0.147	0.069	0.138	0.248
NOA	469	21.206	2.264	19.372	21.219	22.911
PreAnnReturn	469	0.044	0.524	-0.303	-0.033	0.255
Leverage	469	0.433	0.216	0.258	0.441	0.602
SOE	469	0.166	0.373	0.000	0.000	0.000
Relative_Size	469	0.344	0.802	0.022	0.061	0.229
Related Deal	469	0.177	0.382	0.000	0.000	0.000
Serial_3yr	469	0.192	0.394	0.000	0.000	0.000
Ln (Turnover)	468	3.967	1.111	3.302	4.022	4.682

Panel B. Partial Acquisitions in HKSE

Variable	Obs.	Mean	SD	P25	Median	P75
BHAR_1yr	253	-0.047	0.594	-0.401	-0.149	0.142
BHAR_2yr	253	-0.075	0.784	-0.582	-0.269	0.198
BHAR_3yr	253	-0.131	0.980	-0.681	-0.395	0.076
ROA_1yr	243	-0.059	0.206	-0.119	0.006	0.061
ROA_2yr	244	-0.062	0.184	-0.114	-0.006	0.055
ROA_3yr	244	-0.066	0.181	-0.125	-0.010	0.054
ROE_1yr	250	-0.201	0.709	-0.205	0.005	0.082
ROE_2yr	251	-0.218	0.812	-0.233	-0.014	0.087
ROE_3yr	251	-0.234	0.828	-0.230	-0.023	0.080
Market-to-Book	253	3.115	5.023	0.793	1.704	3.483
Accruals	253	-0.150	1.009	-0.202	-0.048	0.053
Acquirer Cash	253	0.197	0.166	0.070	0.155	0.273
NOA	253	19.784	2.127	18.242	19.293	21.376
PreAnnReturn	253	-0.031	0.456	-0.338	-0.105	0.230
Leverage	253	0.445	0.258	0.232	0.400	0.611
% Shares Acquired	253	0.415	0.243	0.190	0.447	0.627

Table IA.2 Performance of Completed vs. Withdrawn Acquisitions

This table reports the mean difference test of buy-and-hold abnormal returns (BHAR) and operational performance between acquirers of completed acquisitions and those of withdrawn acquisitions after the acquisition announcement. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	Completed Acquisitions		Withdrawn Acquisitions			
Variable	Obs.	Mean	Obs.	Mean	Mean-diff	*t*-statistic
BHAR 1yr	3184	0.093	415	-0.047	0.140***	5.202
BHAR 2yr	3184	0.098	415	-0.099	0.197***	5.289
BHAR 3yr	3184	0.042	415	-0.143	0.185***	4.238
ROA_1yr	3172	0.029	407	0.008	0.021***	5.263
ROA_2yr	3172	0.020	407	0.004	0.016***	3.800
ROA_3yr	3172	0.012	407	0.001	0.011***	2.590
ROE_1yr	3162	0.042	405	-0.000	0.042***	4.441
ROE_2yr	3165	0.015	406	-0.055	0.070***	5.045
ROE_3yr	3165	-0.009	406	-0.071	0.062***	3.807

Table IA.3 Post-Acquisition Performance: Large vs. Small Firms under Different Financial Constraints
This table examines the differences in market and operating performance following private placement acquisitions between large-cap and small/mid-cap firms under varying levels of financial constraints. Panel A reports the full-sample results. Panel B presents results for firms facing high financial constraints, as measured by the SA index, with higher values indicating more severe constraints. Panel C presents results for firms with low financial constraints.

Panel A: Full Sample						
	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Only_Equity_PP×Large	-0.162**	-0.199**	-0.144	-0.014***	-0.008	-0.008
	(-2.375)	(-2.400)	(-1.359)	(-2.994)	(-1.294)	(-1.389)
Only_Equity_PP	0.165***	0.207***	0.253***	0.015***	0.018***	0.022***
	(4.719)	(3.374)	(4.741)	(5.219)	(4.033)	(5.180)
Mixed_Payment_PP×Large	-0.144***	-0.141**	-0.137*	0.001	0.006	0.013**
	(-2.737)	(-2.176)	(-1.867)	(0.208)	(1.226)	(2.362)
Mixed_Payment_PP	0.069	0.099**	0.069**	0.002	-0.001	-0.005
	(1.315)	(2.051)	(2.031)	(0.520)	(-0.235)	(-1.129)
Large	0.040	0.073	0.026	0.013***	0.009**	0.009**
	(1.124)	(1.519)	(0.407)	(2.977)	(2.358)	(2.299)
Ind/Year/Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3793	3857	3802	3983	3983	3983
Adj. R^2	0.146	0.177	0.150	0.144	0.169	0.199
Panel B: High Financial Constraints (High SA)						
	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Only_Equity_PP×Large	-0.248***	-0.379***	-0.346**	-0.026***	-0.027***	-0.028***
	(-3.476)	(-4.012)	(-2.206)	(-2.894)	(-2.867)	(-2.830)
Only_Equity_PP	0.189***	0.286***	0.340***	0.021***	0.026***	0.031***
	(3.920)	(2.931)	(3.729)	(5.345)	(4.639)	(5.720)
Mixed_Payment_PP×Large	-0.072	-0.056	-0.017	-0.001	0.012	0.018
	(-0.851)	(-0.590)	(-0.194)	(-0.097)	(0.961)	(1.596)
Mixed_Payment_PP	0.038	0.071	0.023	0.002	-0.003	-0.008
	(0.566)	(1.114)	(0.326)	(0.307)	(-0.568)	(-1.243)
Large	0.062	0.118*	0.069	0.022***	0.019***	0.016**
	(1.140)	(1.762)	(0.754)	(4.156)	(2.795)	(2.664)
Ind/Year/Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
N	2022	2060	2030	2137	2137	2137
Adj. R^2	0.164	0.196	0.158	0.137	0.170	0.206
Panel C: Low Financial Constraints (Low SA)						
	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(6) ROA_3yr
Only_Equity_PP×Large	-0.080	0.011	0.088	-0.003	0.010	0.011
	(-0.664)	(0.075)	(0.601)	(-0.524)	(1.266)	(1.543)
Only_Equity_PP	0.126**	0.104	0.153**	0.010	0.010	0.014*
	(2.095)	(1.099)	(2.150)	(1.608)	(1.520)	(1.930)
Mixed_Payment_PP×Large	-0.181***	-0.160**	-0.189*	0.003	0.002	0.007
	(-3.203)	(-2.182)	(-1.874)	(0.421)	(0.345)	(1.033)
Mixed_Payment_PP	0.082*	0.085	0.074	0.003	0.002	0.001
	(1.818)	(1.502)	(1.452)	(0.515)	(0.381)	(0.139)
Large	0.012	0.015	-0.036	0.005	-0.000	0.002
	(0.260)	(0.219)	(-0.448)	(0.796)	(-0.039)	(0.476)
Ind/Year/Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
N	1770	1796	1771	1846	1846	1846
Adj. R^2	0.136	0.162	0.153	0.154	0.169	0.200

Table IA.4 Private Placement Acquisitions vs. Other CSRC-Approved Deals

This table reports OLS regression results comparing the post-acquisition performance of private placement acquisitions with other types of CSRC-approved acquisitions. The dependent variables include the buy-and-hold abnormal returns (BHAR) and return on assets (ROA) over one, two, and three years after the acquisition. The variable *Big_Deal_Non-PPE* is a dummy variable that equals one if the acquisition is subject to CSRC approval but not financed through a private placement, specifically defined as acquisitions in which the target's size (measured by assets, operating revenue, or net assets) is equal to or greater than 50% of the corresponding size measures of the acquiring firm. All specifications include the merger type, year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR 1yr	(2) BHAR 2yr	(3) BHAR 3yr	(4) ROA 1yr	(5) ROA 2yr	(6) ROA 3yr
Private Placement Acquisition	0.066***	0.100**	0.077*	0.007*	0.007**	0.008**
	(2.740)	(2.426)	(1.891)	(1.940)	(2.328)	(2.164)
Big_Deal_Non-PPE	0.006	0.191	0.199	0.022*	0.008	-0.003
	(0.063)	(1.169)	(1.528)	(1.900)	(0.602)	(-0.185)
SOE	-0.043**	-0.090***	-0.097***	0.006*	0.012***	0.016***
	(-2.326)	(-2.976)	(-3.129)	(1.788)	(3.444)	(4.397)
Market-to-Book	-0.022***	-0.035***	-0.043***	0.000	0.000	-0.001
	(-4.351)	(-5.155)	(-5.918)	(0.407)	(0.064)	(-0.575)
Accruals	-0.036	0.010	0.055	-0.047***	-0.055***	-0.057***
	(-1.334)	(0.178)	(0.769)	(-4.935)	(-4.631)	(-4.555)
Acquirer Cash	-0.032	-0.123	-0.058	0.018	0.036**	0.032**
	(-0.383)	(-0.926)	(-0.427)	(1.480)	(2.680)	(2.107)
NOA	-0.044***	-0.074***	-0.078***	0.001	0.001	0.002**
	(-3.603)	(-3.639)	(-4.506)	(0.778)	(0.899)	(2.073)
PreAnnReturn	-0.068***	-0.152***	-0.191***	-0.000	-0.003	-0.006***
	(-4.058)	(-9.035)	(-10.406)	(-0.132)	(-1.569)	(-2.922)
Leverage	0.185***	0.163*	0.093	-0.013	-0.007	-0.018
	(3.543)	(1.944)	(1.035)	(-1.301)	(-0.692)	(-1.627)
Relative_Size	0.118***	0.105***	0.092***	0.002	-0.001	-0.008**
	(6.003)	(3.684)	(3.129)	(0.990)	(-0.463)	(-2.464)
Related Deal	0.010	0.010	0.006	0.000	-0.004	-0.001
	(0.531)	(0.396)	(0.214)	(0.058)	(-1.452)	(-0.338)
Serial_3yr	-0.018	-0.044**	-0.066**	-0.004*	-0.006**	-0.007***
	(-1.085)	(-2.051)	(-2.688)	(-1.705)	(-2.546)	(-3.298)
Perf_Commit	-0.004	-0.036	-0.037	-0.003	-0.006***	-0.010***
	(-0.210)	(-1.120)	(-1.147)	(-0.798)	(-2.882)	(-4.351)
Pre_ROA_1yr				0.404***	0.419***	0.414***
				(11.113)	(11.210)	(10.415)
Merger Type FE	Yes	Yes	Yes	Yes	Yes	Yes
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4007	4099	4055	3870	3871	3871
Adj. R^2	0.149	0.176	0.165	0.130	0.153	0.175

Table IA.5 Post-Acquisition Performance: A-Share vs. US-Listed Acquirers

This table reports the ordinary least squares (OLS) regression results comparing the post-acquisition market and operating performance of A-share listed acquirers with that of US-listed acquirers. In columns (1)-(3), the dependent variables are the 12-, 24-, and 36-month BHARs of acquiring firms after the acquisition announcement. In columns (4)-(6), the dependent variables are the average ROA of acquiring firms in the first, first two and first three years after the acquisition completion. *A_Share Listed* is a dummy variable that equals one if the firm is listed in Shanghai or Shenzhen stock exchanges in mainland China, and zero otherwise. All specifications include the year and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	BHAR_1yr	BHAR_2yr	BHAR_3yr	ROA_1yr	ROA_2yr	ROA_3yr
A_Share Listed	0.277***	0.493***	0.497***	-0.152***	-0.177***	-0.193***
	(5.211)	(7.399)	(4.950)	(-9.913)	(-9.101)	(-8.674)
Market-to-Book	-0.003**	-0.007***	-0.010***	0.001***	0.001*	0.001
	(-2.293)	(-5.143)	(-5.024)	(3.134)	(1.851)	(1.412)
Accruals	-0.037	-0.041	0.066	0.034	0.045	0.043
	(-0.943)	(-0.633)	(0.669)	(1.167)	(1.504)	(1.446)
Acquirer Cash	-0.104***	-0.115**	-0.066	-0.041***	-0.025*	-0.026*
	(-3.207)	(-2.216)	(-1.071)	(-3.572)	(-1.756)	(-1.718)
NOA	-0.016***	-0.027***	-0.027***	0.012***	0.015***	0.016***
	(-4.559)	(-6.261)	(-3.947)	(10.831)	(10.841)	(9.659)
PreAnnReturn	-0.036***	-0.093***	-0.106***	0.018***	0.018***	0.015***
	(-4.598)	(-7.437)	(-5.204)	(5.636)	(6.033)	(4.802)
Leverage	0.020***	0.028***	0.027**	0.001	-0.002	-0.002
	(5.296)	(3.735)	(2.557)	(0.365)	(-0.699)	(-0.906)
Relative_Size	-0.042**	-0.099***	-0.089**	-0.017	-0.016	-0.015
	(-2.356)	(-5.218)	(-2.141)	(-1.390)	(-1.415)	(-1.112)
Related Deal	0.021*	0.023	0.006	0.002	0.002	0.000
	(1.874)	(1.295)	(0.240)	(0.692)	(0.597)	(0.027)
Diversifying	0.017**	0.022**	0.036**	0.003	0.003	0.004
	(2.066)	(2.017)	(2.380)	(1.279)	(1.477)	(1.451)
Cashpay	-0.024**	-0.016	0.001	0.014***	0.015***	0.017***
	(-2.336)	(-0.839)	(0.050)	(4.886)	(3.808)	(3.696)
Pre_ROA_1yr				0.393***	0.394***	0.391***
				(6.640)	(7.716)	(7.202)
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	15115	14689	13972	16643	16059	15195
Adj. R^2	0.045	0.062	0.057	0.026	0.040	0.046

Table IA.6 Deal-Type Variation in Long-Run Acquisition Performance

This table reports the ordinary least squares (OLS) regression results analyzing the variation in long-run acquisition performance across different deal types. The dependent variables in columns (1) - (3) are the 12-, 24-, and 36-month BHARs after the partial acquisition announcement. The dependent variables in columns (4) - (5) are the average ROA in the first, first two and first three years after the partial acquisition completion. *Vertical Merger* is a dummy variable equal to one if the acquirer and target operate in upstream or downstream positions within the same supply chain, and zero otherwise. *Conglomerate Merger* equals one if the acquirer and target operate in unrelated industries. *Others* include all deals that are neither classified as horizontal, vertical, nor conglomerate. The omitted category is horizontal mergers, where the acquirer and target operate in the same or highly similar industries. Therefore, the coefficients on *Vertical Merger*, *Conglomerate Merger*, and *Others* reflect performance differences relative to horizontal mergers. All specifications include the year, and industry fixed effects. We control for other M&A deal characteristics and acquiring firm characteristics at the fiscal year-end prior to the deal announcement. Numbers in parentheses are t-statistics estimated from standard errors adjusted for heteroskedasticity. Standard errors are clustered by industry. *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

	(1) BHAR_1yr	(2) BHAR_2yr	(3) BHAR_3yr	(4) ROA_1yr	(5) ROA_2yr	(5) ROA_3yr
Vertical Merger	-0.013	0.030	-0.036	-0.005	-0.004	-0.006*
	(-0.677)	(1.189)	(-1.009)	(-1.420)	(-1.451)	(-1.902)
Conglomerate Merger	-0.014	-0.005	-0.080**	-0.008**	-0.009***	-0.007**
	(-0.768)	(-0.148)	(-2.110)	(-2.143)	(-2.948)	(-2.029)
Others	-0.029	-0.047	-0.047	-0.001	-0.000	0.001
	(-0.770)	(-1.080)	(-0.764)	(-0.259)	(-0.021)	(0.323)
Private Placement Acquisition	0.066***	0.090**	0.070*	0.006*	0.007**	0.008**
	(2.711)	(2.195)	(1.770)	(1.742)	(2.359)	(2.255)
SOE	-0.043**	-0.087***	-0.098***	0.006*	0.011***	0.015***
	(-2.321)	(-2.896)	(-3.227)	(1.707)	(3.300)	(4.335)
Market-to-Book	-0.022***	-0.035***	-0.042***	0.000	0.000	-0.000
	(-4.358)	(-4.989)	(-5.931)	(0.514)	(0.116)	(-0.560)
Accruals	-0.035	0.003	0.042	-0.048***	-0.056***	-0.057***
	(-1.336)	(0.046)	(0.604)	(-5.216)	(-4.785)	(-4.670)
Acquirer Cash	-0.032	-0.129	-0.062	0.018	0.036***	0.032**
	(-0.391)	(-0.980)	(-0.461)	(1.489)	(2.748)	(2.138)
NOA	-0.044***	-0.076***	-0.078***	0.001	0.001	0.003**
	(-3.591)	(-3.680)	(-4.610)	(0.905)	(1.048)	(2.261)
PreAnnReturn	-0.068***	-0.153***	-0.191***	-0.000	-0.003	-0.006***
	(-4.005)	(-9.081)	(-10.297)	(-0.141)	(-1.567)	(-2.889)
Leverage	0.185***	0.172**	0.097	-0.013	-0.007	-0.018
	(3.574)	(2.077)	(1.088)	(-1.297)	(-0.698)	(-1.648)
Relative_Size	0.118***	0.111***	0.097***	0.003	-0.001	-0.008**
	(6.165)	(3.768)	(3.341)	(1.176)	(-0.391)	(-2.529)
Related Deal	0.011	0.009	0.003	-0.000	-0.005*	-0.002
	(0.590)	(0.359)	(0.102)	(-0.147)	(-1.795)	(-0.741)
Serial_3yr	-0.018	-0.046**	-0.067***	-0.004*	-0.006**	-0.007***
	(-1.084)	(-2.082)	(-2.717)	(-1.742)	(-2.514)	(-3.207)
Perf_Commit	-0.004	-0.036	-0.031	-0.002	-0.006**	-0.010***
	(-0.224)	(-1.097)	(-0.918)	(-0.552)	(-2.544)	(-4.151)
Pre_ROA_1yr				0.399***	0.416***	0.413***
				(10.891)	(11.052)	(10.269)
Year and Ind FE	Yes	Yes	Yes	Yes	Yes	Yes
N	4,007	4,099	4,055	3,869	3,870	3,870
Adj. R^2	0.149	0.176	0.164	0.130	0.154	0.176